CALGARY, ALBERTA--(Marketwired - Nov 9, 2016) - Chinook Energy Inc. ("our", "we", "us" or "Chinook") (TSX:CKE) is pleased to announce its third quarter 2016 financial and operating results and three well Birley drilling program.

Our operational and financial highlights for the three and nine months ended September 30, 2016 are noted below and should be read in conjunction with our condensed consolidated financial statements for the three and nine months ended September 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).

Third Quarter 2016 Financial and Operating Highlights

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
OPERATIONS				
Production Volumes				
Crude oil (bbl/d)	1,036	1,065	874	1,276
Natural gas liquids (boe/d)	599	395	645	559
Natural gas (mcf/d)	28,972	20,641	25,666	26,268
Average daily production (boe/d)	6,464	4,900	5,798	6,214
Sales Prices				
Average oil price ($/bbl)	$ 57.31	$ 51.34	$ 48.55	$ 54.33
Average natural gas liquids price ($/boe)	$ 10.67	$ 31.68	$ 21.78	$ 36.98
Average natural gas price ($/mcf)	$ 2.22	$ 2.56	$ 1.71	$ 2.58
Netback (1)				
Average commodity pricing ($/boe)	$ 20.14	$ 24.48	$ 17.31	$ 25.39
Royalties ($/boe)	$ (0.77)	$ (1.13)	$ (0.74)	$ (1.40)
Net production expenses ($/boe) (1)	$ (12.61)	$ (12.49)	$ (14.07)	$ (16.29)
G&A expense ($/boe)	$ (4.70)	$ (4.39)	$ (4.25)	$ (4.01)
Netback ($/boe) (1)	$ 2.06	$ 6.47	$ (1.75)	$ 3.69
Wells Drilled (net)				
Total natural gas wells drilled (net)	-	-	-	2.75

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
FINANCIAL ($ thousands, except per share amounts)				
Petroleum & natural gas revenues, net of royalties	$ 11,518	$ 10,527	$ 26,312	$ 40,701
Funds (outflow) from operations (1)	$ 1,894	$ 3,299	$ (2,717)	$ 7,517
Per share - basic and diluted ($/share)	$ 0.01	$ 0.02	$ (0.01)	$ 0.03
Net loss	$ (35,905)	$ (80,669)	$ (61,200)	$ (78,303)
Per share - basic and diluted ($/share)	$ (0.17)	$ (0.37)	$ (0.28)	$ (0.36)
Capital expenditures	$ 661	$ 7,313	$ 5,034	$ 34,327
Net surplus (1)	$ (7,217)	$ (41,181)	$ (7,217)	$ (41,181)
Total assets	$ 274,674	$ 333,036	$ 274,674	$ 333,036
Common Shares (thousands)				
Weighted average during period				
- basic & diluted	216,287	215,274	215,666	215,150
Outstanding at period end	216,443	215,328	216,443	215,328

(1) Funds (outflow) from operations, Funds (outflow) 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 September 30, 2016

- During the third quarter and as announced on August 2, 2016, we 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. The strategic review is ongoing and there can be no guarantee that this review will result in a transaction, or if a transaction is undertaken, as to its terms or timing.

- Our transaction with Tournament Exploration Ltd., subsequently renamed Craft Oil Ltd. ("Craft"), completed during the second quarter, completes our transformation into a pure play Montney liquids rich natural gas story. Subsequent to the end of the third quarter, we announced that we have undertaken to complete a plan of arrangement to effect the distribution of all the common shares of Craft acquired by us to our shareholders.
- We ended the third quarter of 2016 with a strong balance sheet including a net surplus of $7.2 million (including cash of $23.2 million). On an unconsolidated basis Chinook Energy Inc. had a net surplus of approximately $19.5 million at September 30, 2016.
- During the third 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 Craft.

Strategic Transactions

As previously announced, on June 10, 2016, we completed the divestiture of the majority of our Alberta oil and natural gas assets, excluding our Montney assets, and the associated decommissioning obligations in addition to $0.9 million cash (collectively, the "Subject Assets") to Craft, a private Calgary-based petroleum and natural gas production company, for 70% of its issued and outstanding common shares pursuant to an asset purchase and sale agreement dated and effective May 1, 2016 (the "PSA"). Our Alberta assets not divested to Craft are primarily prospective for Montney and focused in the Gold Creek and Pipestone areas near Grande Prairie.

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 Craft 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 Craft shares to our shareholders, we will be focusing on our emerging Montney assets at Birley/Umbach, British Columbia and at Gold Creek and Pipestone, Alberta. Through the proposed share distribution, our shareholders are expected to benefit from the direct ownership of Craft shares and the continued participation in our growth and future value creation through our shares. Based on these and other factors, our Board of Directors unanimously approved the Craft transaction.

On September 29, 2016, Craft entered into an asset disposition agreement (the "Agreement"), which closed on October 31, 2016, to sell certain properties and undeveloped land primarily throughout southern Alberta for gross estimated consideration of $13.5 million. At September 30, 2016, these properties and associated decommissioning obligations were reclassified on our condensed consolidated statements of financial position as held for sale. We are reporting a loss on assets held for sale of $4.0 million for the current reporting periods as a result of decreasing our net carrying value to the estimated consideration.

Third Quarter 2016 Financial Results

Production in the third quarter of 2016 averaged 6,464 boe/d, up 31% from the same period in 2015. On an unconsolidated basis, third quarter 2016 production averaged 2,388 boe/d and 4,076 boe/d for Chinook and Craft, respectively. The increase from the third quarter of 2015 is attributed to the acquisition of Craft and the completion of our Birley compressor expansion during the first quarter of 2016. In addition, improved commodity pricing and a new gas handling agreement enabled us to reactivate wells in Martin Creek and Black Conroy areas in northeastern BC adding 1,290 boe/d of production during the month of September. These increases were partially offset by natural declines, property dispositions and voluntary shut-ins.

Our third quarter petroleum and natural gas revenues were up approximately 9% from the same period of 2015 primarily as a result of increased volumes. During the third quarter, the BC Government's reclassification of a well from natural gas to crude oil resulted in the reclassification of prior periods' volumes. As a result we are reporting lower volumes for NGL's as offset by higher volumes for crude oil. Had the BC Government not reclassified this well, our third quarter revenue and pricing for crude oil and natural gas liquids would have been $4.1 million or $50.78/bbl and $2.0 million or $26.21/boe, respectively. Natural gas and associated liquids pricing continued to be lower during the third quarter compared to the same period of 2015, however; late in the third quarter natural gas prices modestly increased.

Our third quarter net production expense (operating costs) increased by approximately 33% to $7.5 million from $5.6 million in the third quarter of 2015. This increase primarily resulted from our increased Birley/Umbach volumes and our acquisition of Craft.

We have continued to focus on improving our G&A cost structure and implement cost cutting initiatives. During the third quarter, compared to the same quarter of 2015, our G&A cost increased as a result of $0.8 million of Craft G&A costs. Although personnel were transferred to Craft on conveyances of the Subject Assets, we will not report this significant G&A cost reduction until such time that the Craft shares are distributed to our shareholders.

Our netback for the third quarter decreased significantly compared to the same quarter of 2015, however it increased from the first and second quarters of 2016. This decrease from the third quarter of 2015 was caused by lower commodity benchmark prices. The increase from the first and second quarters of 2016 resulted from an increase in our average commodity price and a decrease in our net production expenses per boe.

We reported funds from operations of $1.9 million during the third quarter of 2016, a decrease compared to $3.3 million in the same quarter of 2015; however, an improvement from the funds outflow of $1.7 million and $2.9 million in the second quarter and first quarter of 2016, respectively. The decrease in the third quarter funds from operations compared to the same quarter of 2015 mostly resulted from lower corporate netbacks due to lower realized commodity prices.

We reported a net loss for the third quarter of $35.9 million compared to a loss of $80.7 million during the same period of 2015. During the third quarter we reported a lower impairment charge of $48.0 million compared to $75.0 million during the same quarter of 2015. The current third quarter's impairment was attributable to the development and production assets held by Craft which were measured at their fair value. During the third quarter of 2016 we also reported a $4.0 million loss on the assets held for sale related to the Agreement.

Third Quarter 2016 Operational Results

Amid continued depressed commodity prices, we remain focused on cost savings and strategic management. During the year to date, our capital expenditures were incurred on the commissioning of our expanded Birley/Umbach compressor capacity.

Outlook

We intend to complete a plan of arrangement under the Business Corporation Act (Alberta) to effect the distribution of all the common shares of Craft acquired by us to our shareholders (the "Arrangement"). The Arrangement will be subject to, among other things, shareholder approval at the special meeting of shareholders scheduled for December 12, 2016.

Upon completion of the Arrangement anticipated to occur on or about December 13, 2016, we will be a company focused on pure play Montney liquids rich natural gas. Our Board of Directors has approved a $5.5 million capital program for the remainder of 2016 focusing on the development of liquids rich natural gas at Birley/Umbach, British Columbia. This capital budget will allow us to drill 3 (2.67 net) wells prior to December 31, 2016. Additionally, our Board has approved a first quarter 2017 capital program of $9.7 million to complete and tie-in these wells and to prepare a lease for further 2017 drilling. Our pace of Montney development will continue to be prudently managed to demonstrate growth from our Montney assets while maintaining a strong balance sheet.

Our guidance for the Chinook 2016 fourth quarter and the 2017 first quarter pro-forma the Arrangement (assuming such Arrangement was effective October 1, 2016) and the three well Birley/Umbach capital program is as follows:

($ millions, except boe/d)	Q4 2016 Guidance
Production (boe/d)	2,983
Exit production (boe/d)	3,482
Capital expenditures	$ 5.5
Net surplus as at December 31, 2016	$ 13.0

($ millions, except boe/d)	Q1 2017 Guidance
Exit production (boe/d)	5,357
Capital expenditures	$ 9.7
Net surplus as at March 31, 2017	$ 4.8

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 Craft's shares to our shareholders and the method of completing the same; the anticipated benefits to us from completing the transaction with Craft and the distribution of the Craft shares to our shareholders; post Craft transaction strategy, plans and operations including our intention to concentrate on our Montney assets subsequent to the completion of the Arrangement; that we will implement future cost savings initiatives; 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 Craft, future exploration and development activities and the timing thereof and how we intend to manage our company as well as our Q4 2016 and Q1 2017 guidance regarding production, capital expenditures and net surplus set out in the tables under the heading "Outlook".

With respect to the forward-looking statements contained in this news release, we have made assumptions regarding, among other things: the distribution of the Craft 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 Q4 2016 and Q1 2017 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 Craft shares to our shareholders may not be completed on the terms disclosed herein; the strategic review may not 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 Q4 2016 and Q1 2017 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. We include G&A expense in our Netback calculation as it represents the administrative component of developing the associated production.

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. We adjust exploration and evaluation expense as we could otherwise capitalize these expenses.

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, in particular the information in respect of the anticipated capital expenditures and net surplus set out in the table under the heading "Outlook", 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.

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