CHINOOK ENERGY INC. TSX:CKE.TO

INTERIM REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2011

Chinook Energy Inc. – Second Quarter 2011 Report

CALGARY, ALBERTA – August 12, 2011 – Chinook Energy Inc. ("Chinook" or the "Company") (TSX: CKE) is pleased to announce its second quarter results.

Chinook's second quarter activity provided important confirmation of commerciality of a significant light oil discovery onshore Tunisia and initial drilling success on an oil-prone resource play in Canada with an encouraging oil and natural gas liquids-rich Doig discovery at Red Creek in northeastern British Columbia.

In Tunisia, Chinook announced encouraging completion results from its three wells on the Sud Remada permit in late May and followed that with 30 day average production numbers of over 1,790 barrels of light oil per day that confirmed the commerciality of the 297 million barrels of Discovered Petroleum-Initially-in-Place (as evaluated by independent reservoir evaluators) light oil discovery from the Ordovician. Water production dropped to less than 3 percent by the end of the period. Chinook pumped five fracture stimulations into seven zones and achieved the key objectives of confirming it could successfully stimulate the portions of the reservoir that were less than one millidarcy permeability (which is an important precursor to testing the application of horizontal well technology to improve the recovery and increase rates) and that it could sustain production at commercial rates from vertical wells. Chinook's expectations were for a combined rate of 1,000 barrels of oil per day and the results exceeded this by a significant margin. Chinook also announced that it had received Tunisian government approval to the granting of the 90,000 acre Bir Ben Tartar Concession, on which the discovery is located, which represents regulatory approval to allow Chinook to commence development of the field. Chinook has currently contracted the rig and equipment required for the next well of a four well development program that will start by the end of August that will support an exit target rate of 3,000 barrels of oil per day gross. Chinook plans to commence a continuous drilling program in early 2012, subject to equipment availability, and forecasts an eventual plateau production rate of 9,000 - 12,000 barrels of oil per day gross. The field will be facility supported and pipeline connected by year end 2012. Based on a Brent crude price of $111.37 per barrel and costs of $26.00 per barrel (field operating and overhead), cash flow from Sud Remada production averaged $85.00 per barrel in June. Chinook's current 54 percent share (86 percent of contractor share under the Production Sharing Contract of 42.5 percent cost oil and 35 percent profit share) of present production of approximately 1,730 barrels of oil per day would generate almost $2.4 million of cash flow per month.

The significance of this development for Chinook cannot be overstated. This discovery has the potential to be a major source of significant reserve additions and stable production growth and Chinook can now confirm that potential will be realized with the development of the 65 square kilometre TT discovery. The Tunisian business segment should generate in excess of $60 million of cash flow in 2012. In addition, Chinook has identified eight other structures on the Sud Remada Block that have been materially de-risked and we will be drilling several of these prospects in 2012. One important attribute of the fiscal regime in Tunisia is that a portion of Chinook's exploration expenditures on its other permits in Tunisia can be cost recovered from the profit portion of revenue generated from a successful discovery like TT, thereby significantly reducing Chinook's risk dollar exposure to an aggressive expansion of exploration programs at Jenein and Hammamet.

The political and social situation in Tunisia is still very fluid and we hope to see signs of increased stability before the end of 2011. Elections originally scheduled for July have been postponed until after Ramadan (October) with over 80 political parties organizing along regional, religious or more traditional political platform lines. The decision making capabilities of the General Directorate for Energy and Entreprise Tunisienne d'Activités Pétrolières have improved, as evidenced by the timely approval of Chinook's Plan of Development for Sud Remada, but there is an increasing concern that this will deteriorate in the absence of political leadership above the ministerial level until new leadership is established by the electoral process. There is a heightened sensitivity to fostering employment, particularly in the southern region where Chinook's operations are located and Chinook's project has the potential to be a very positive influence from a regional benefit and employment perspective. Chinook has been actively engaged in assisting with food and medical aid in response to humanitarian emergencies arising from the Libyan crisis which continue to increase pressure on an already over extended social infrastructure. Trucking and production operations have ramped up substantially since Chinook commenced full time production in early June and to date there have been only minor interruptions in production, and a small number of logistical delays. Chinook's Tunis-based staff have done a masterful job at identifying alternate strategies to keep operations running smoothly in the face of very unpredictable delays and changes in local operating situations.

At Red Creek, in northeast British Columbia, Chinook made an exciting oil and liquids-rich natural gas discovery on one of its domestic resource play concepts that had initial flow rates that are very encouraging on what could prove to be a material project. The 10-stage completion of the 2,880 metre Doig channel discovery well, with a 1,000 metre horizontal section, tested at a final three day average rate of 450 barrels per day and 4.2 millions of cubic feet per day of natural gas with an expected 16 barrels of liquids per million cubic feet of gas recoverable. Facility construction is underway and Chinook expects to commence production by September 1 of this year. Chinook has assembled a strong acreage position on the prospect (20+sections) that will require the drilling of several earning wells prior to the end of the year at an averaged completed well cost of $5 - $6 million.

Drilling activity in Western Canada was minimal during the second quarter owing to spring break up. The planned commencement of an oil development program at Winmore was delayed due to very wet weather in southeast Saskatchewan. Chinook added critical acreage to its land position on two key natural gas resource plays through land sales at Birley in northeast British Columbia and through a farmin where Chinook has committed to drill four wells prior to year end at Knopcik, Alberta. Both of these plays are in areas where Chinook has existing facility capacity and multi-zone conventional targets in addition to material reserve upside to resource style plays in the Montney or Nikanassin.

Second quarter production volumes averaged 14,196 barrels of oil equivalent per day, down 3 percent from the first quarter of 2011 due in large part to material facility turnarounds in June that extended into early July and to a lesser extent, asset sales. Chinook expects third quarter production to average 14,600 barrels of oil equivalent per day with a full quarter's contribution from the Sud Remada discovery. Reported sales volumes for the second quarter were, 13,954 barrels of oil equivalent per day as there was an inventory build attributable to Tunisian production. Oil and liquids represent approximately 33 percent of second quarter production volumes and the average realized barrel of oil equivalent price was up 7 percent from the first quarter to $44.74 per barrel of oil equivalent on higher liquids prices. Chinook expects liquids to represent over 40 percent of its production mix by year end 2011. Netbacks for the second quarter improved slightly to $16.78 per barrel of oil equivalent on the strength of higher revenue, lower royalties, lower General and Administrative expense, and despite a 26 percent increase in operating expenses on a barrel of oil equivalent basis. Tunisian netbacks averaged almost $70 per barrel of oil equivalent including Sud Remada netbacks of $85.00 per barrel of oil equivalent. As volumes increase over the next several quarters, this will become a material contributor to improve per unit metrics. Our disposition program is also contributing, in part, to better per unit results.

($ thousands, except per unit amounts)	Three months ended June 30 **2011**	2010	Six months ended June 30 **2011**	2010
Sales Volumes				
Oil sales *(bbl/d)*	**3,152**	1,319	**3,374**	816
Natural gas liquids sales *(bbl/d)*	**1,329**	877	**1,509**	528
Natural gas sales *(mcf/d)*	**56,834**	21,466	**56,381**	14,443
Average daily sales 6:1 *(boe/d)*	**13,954**	5,774	**14,282**	3,751
Sales Prices				
Average oil price *($/bbl)*	**97.71**	72.41	**89.58**	73.22
Average natural gas liquids price *($/bbl)*	**67.03**	48.58	**62.63**	50.87
Average natural gas price *($/mcf)*	**4.00**	4.28	**3.92**	4.45
Average commodity pricing *($/boe)*	**44.74**	39.85	**43.27**	40.24
Production [(3)]				
Oil *(bbl/d)*	**3,394**	1,107	**3,514**	834
Natural gas liquids *(bbl/d)*	**1,329**	877	**1,509**	528
Natural gas *(mcf/d)*	**56,834**	21,466	**56,381**	14,443
Average daily production *(boe/d)*	**14,196**	5,562	**14,421**	3,769
Financial Operations				
Oil, natural gas and natural gas liquids revenue, net of royalties	**47,204**	17,321	**91,569**	22,524
Cash flow (loss) [(1)]	**17,799**	(192)	**38,940**	(1,490)
Per share - basic and diluted [(1)]	**0.08**	-	**0.18**	(0.01)
Net loss from continuing operations	**(1,890)**	(1,354)	**(2,132)**	(3,602)
Per share - basic and diluted	**(0.01)**	(0.01)	**(0.01)**	(0.03)
Capital expenditures [(2)]	**16,569**	260,074	**62,671**	466,073
Net debt [(4)]	**163,138**	183,768	**163,138**	183,768
Total assets	**864,568**	907,971	**864,568**	907,971
Common Shares *(thousands)*				
Weighted average during period				
- basic and diluted	**214,188**	124,124	**214,188**	108,499
Outstanding at period end				
- basic	**214,188**	213,788	**214,188**	213,788
- diluted	**227,815**	220,298	**227,815**	220,298

(1) Cash flow is a non-GAAP measure and is defined under the non-GAAP measures section of this MD&A.
(2) Excludes capitalized costs relating to foreign currency translation incurred during the period and decommissioning obligation.
(3) March and June 2010, include acquisitions of Canadian and Tunisian producing assets and assets from the corporate acquisition of Iteration and SSL from the date of acquisition.
(4) Net debt is a non-GAAP measure and is calculated as bank debt, less (add) working capital (deficit). Management use this non-GAAP measure to assist them in understanding the Company's liquidity.

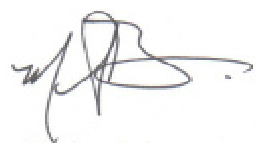
Capital expenditures for the quarter were $16.6 million primarily funded from cash flow ($17.8 million) and asset sale proceeds. Chinook's capital expenditure program for the balance of 2011 is estimated to be $55 - $60 million. For the balance of the year, Chinook expects to drill four-six wells in Tunisia at Bir Ben Tartar and 18 - 20 wells in Canada. The well count is down slightly due to a re-focus of capital to follow up successful exploration results on oil plays which are very capital intensive. The Canadian activity will be focused at Winmore, Gilby, Knopcik and Red Creek.

Chinook has strengthened its balance sheet position and is improving the operational focus of its domestic assets into core areas with the continued rationalization of non-core assets at valuations that are materially accretive to Chinook's trading valuation and not dilutive to corporate plans for future growth. Chinook sold six non-core assets with combined second quarter average production of 135 barrels of oil equivalent per day (37 percent natural gas) for proceeds of $12.3 million, bringing the year-to-date proceeds from dispositions to $30 million. Three additional disposition deals have been negotiated that raise the year-to-date proceeds above $60 million, by the end of the third quarter. The average flowing barrel of oil equivalent metric of the transactions closed and committed year-to-date is above $80,000. Factoring in the asset sales set to close in the third quarter, the borrowing base will be revised to $220 million, down $10 million from the previously available borrowing base. Chinook expects to sell at least $75 million of assets this year and will target the sale of $150 million of non-core assets before the end of 2012. The full year guidance provided in Chinook's first quarter report for average production volumes (14,500 - 14,800 barrels of oil equivalent per day), cash flow ($95 - $100 million) and capital expenditures ($120 - $125 million) are unchanged but a small range has been added to accommodate asset sales. Importantly, Chinook now expects year end debt to be at least $25 million lower than previously forecast, at no more than $150 million.

Chinook also announces the resignation of Mr. Simon Munro from its Board of Directors. Simon has served on Chinook's board since March 21, 2007 and has contributed greatly to the quality of the board and the growth and transition of the corporation. We thank him very much for his valued contributions to Storm Ventures, Silverstone and Chinook over the last 5 years and wish him luck in his future endeavors. Chinook welcomes Townes Pressler, Jr. to the Board of Directors. Mr. Pressler serves as a Managing Director of Lime Rock Partners, a position he has held since joining Lime Rock Partners in 2007. Mr. Pressler brings strong experience in the direct management of junior resource companies, commercial lending, investment banking and corporate governance to the Chinook board and we welcome his input and look forward to working together.

Second quarter operational progress was a welcome and, in the case of Tunisia a long awaited, affirmation of the prospectivity and growth potential in the Chinook asset base. For the rest of the year, we will continue to progress the key projects highlighted to the point that we can support an expanded and much more profitable capital investment program for 2012 than was available to us in 2011. We will aggressively continue with the rationalization of our domestic non-core assets so that our Canadian business is focused on growth and realize this may see us shrink in the short term. Proceeds will be used to bolster our balance sheet and accelerate activity on projects like Bir Ben Tartar and Red Creek. In Tunisia, we will address the logistical and geo political issues to better position us to move to full speed development of our major discovery early in 2012.

We look forward to delivering continued positive confirmation of the growth potential we expect to see over the next few quarters. Thank you for your patience and support.



Matthew J. Brister
President and Chief Executive Officer
Chinook Energy Inc.
August 12, 2011

Reader Advisory

Certain information regarding Chinook in this news release including management's assessment of the future plans and operations of Chinook and the timing thereof constitute forward-looking statements under applicable securities laws. In addition, statements relating to "resources" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the resources described exist in the quantities predicted or estimated and be profitably produced in the future. In particular, this news release contains, without limitation, forward-looking statements pertaining to the following: management's assessment of the future plans and operations of Chinook and the timing thereof, anticipated divestiture activities and future production volumes of oil and natural gas.

With respect to the forward-looking statements contained in this news release, Chinook has made assumptions regarding, among other things: 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 development activities, the impact of increasing competition, the ability of Chinook to add production and reserves through development and exploitation activities. 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 risk 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, 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. Boe 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.

Discovered Petroleum Initially-In-Place

DPIIP (equivalent to discovered resources) is defined in the Canadian Oil and Gas Evaluation Handbook as that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially-in-place includes production, reserves, and contingent resources; the remainder is unrecoverable. There is no certainty that it will be economically viable or technically feasible to produce any portion of the DPIIP except for those portions already produced or identified as reserves.

Non-GAAP Measures

The term cash flow does not have any standardized meaning as prescribed by IFRS and previous GAAP and, therefore, are considered non-GAAP measures. Cash flow is calculated based on cash flow from continuing operating activities before changes in non-cash working capital. Cash flow per share is calculated based on cash flow from continuing operating activities before changes in non-cash working capital from continuing operations. Management believes that cash flow is a supplemental measure and utilizes it as a key measure to assess the ability of the Company to finance operating activities, capital expenditures and debt repayments. Cash flow as presented is not intended to represent cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP and should not be construed as an alternative to cash flow from operations.