Q2 2016

Condensed Consolidated Financial Statements

CHINOOK energy inc

Chinook Energy Inc. | 1000, 517 – 10th Avenue S.W. Calgary, Alberta T2R 0A8 TSX:CKE

Condensed Consolidated Statements of Financial Position

(unaudited)

(in thousands of Canadian dollars)	June 30 2016	December 31 2015
Assets		
Current		
Cash	$ 27,254	$ 37,947
Restricted cash (note 8)	1,192	-
Accounts receivable	10,102	11,173
Prepaids & deposits	3,699	2,101
Derivative contracts (note 4)	108	-
	42,355	51,221
Development & production assets (note 5)	299,918	246,036
Exploration & evaluation assets (note 6)	24,313	24,307
	$ 366,586	$ 321,564
Liabilities & Equity		
Current		
Accounts payable, accrued liabilities & other	$ 17,840	$ 21,607
Derivative contracts (note 4)	355	-
Current portion of long term debt (note 8)	4,310	-
Provisions (note 7)	300	2,700
	22,805	24,307
Derivative contracts (note 4)	3,329	-
Long-term debt (note 8)	13,890	-
Provisions (note 7)	111,940	96,042
Deferred income tax (note 3)	7,100	-
	159,064	120,349
Equity		
Share capital	782,708	782,705
Contributed surplus	20,265	18,916
Deficit	(629,234)	(600,406)
Shareholders' Equity	173,739	201,215
Non-controlling interest (note 3)	33,783	-
	207,522	201,215
	$ 366,586	$ 321,564

Subsequent event (note 10)

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

(unaudited)

	Three months ended June 30		Six months ended June 30	
(in thousands of Canadian dollars, except per share amounts)	**2016**	2015	**2016**	2015
Petroleum & natural gas revenues	**$ 7,758**	$ 15,367	**$ 15,519**	$ 32,035
Royalties	**(208)**	(433)	**(725)**	(1,861)
Petroleum & natural gas revenues, net of royalties	**7,550**	14,934	**14,794**	30,174
Processing & gathering revenues	**597**	786	**1,457**	1,856
Petroleum, natural gas & other revenues, net of royalties	**8,147**	15,720	**16,251**	32,030
Realized gain on derivative contracts (note 4)	**68**	441	**68**	741
Unrealized loss on derivative contracts (note 4)	**(3,576)**	(398)	**(3,576)**	(684)
(Loss) gain on derivative contracts	**(3,508)**	43	**(3,508)**	57
	4,639	15,763	**12,743**	32,087
Production & operating	**7,534**	11,026	**16,312**	23,856
General & administrative	**2,067**	2,053	**3,957**	4,814
Transaction costs (note 3)	**1,620**	-	**1,620**	-
Exploration & evaluation	**321**	424	**817**	917
Depletion, depreciation & amortization (notes 5 & 6)	**6,642**	8,982	**13,788**	19,490
Gains on dispositions of properties (note 5)	**(6,714)**	(2,390)	**(5,859)**	(21,793)
Share-based compensation	**672**	623	**1,352**	1,049
Bad debt expense	**379**	57	**458**	554
Foreign exchange losses (gains) & other	**212**	172	**602**	(290)
	12,733	20,947	**33,047**	28,597
(Loss) income before finance expenses	**(8,094)**	(5,184)	**(20,304)**	3,490
Interest & financing charges (income)	**99**	16	**112**	(115)
Accretion of decomissioning obligations (note 7)	**578**	622	**1,130**	1,239
Finance expenses	**677**	638	**1,242**	1,124
(Loss) income before deferred income tax	**(8,771)**	(5,822)	**(21,546)**	2,366
Deferred income tax (note 3)	**7,100**	-	**7,100**	-
Net (loss) income including non-controlling interest	**(15,871)**	(5,822)	**(28,646)**	2,366
Net loss attributable to non-controlling interest (note 3)	**3,351**	-	**3,351**	-
Net & comprehensive (loss) income	**$ (12,520)**	$ (5,822)	**$ (25,295)**	$ 2,366
Net (loss) income per share, basic & diluted (note 9)	**$ (0.06)**	$ (0.03)	**$ (0.12)**	$ 0.01

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity

(unaudited)

(in thousands of Canadian dollars, except common shares)	Common Shares (thousands)	Share Capital	Contributed Surplus	Deficit	Non-controlling interest (note 3)	Equity
Balance as at December 31, 2015	**215,349**	**$ 782,705**	**$ 18,916**	**$ (600,406)**	**$ -**	**$ 201,215**
Non-controlling interest on acquisition (note 3)	-	-	-	-	10,080	10,080
Non-controlling interest in Subject Assets (note 3)	-	-	-	-	27,054	27,054
Equity loss (note 3)	-	-	-	(3,533)	-	(3,533)
Net loss attributable to non-controlling interest (note 3)	-	-	-	-	(3,351)	(3,351)
Settlement of restricted share awards	1	3	(3)	-	-	-
Share-based compensation	-	-	1,352	-	-	1,352
Net loss	-	-	-	(25,295)	-	(25,295)
Balance as at June 30, 2016	**215,350**	**$ 782,708**	**$ 20,265**	**$ (629,234)**	**$ 33,783**	**$ 207,522**
Balance as at December 31, 2014	**215,082**	**$ 782,071**	**$ 17,180**	**$ (516,800)**	**$ -**	**$ 282,451**
Share options exercised	2	-	-	-	-	-
Settlement of restricted and performance share units	152	369	(369)	-	-	-
Share-based compensation	-	-	1,049	-	-	1,049
Net income	-	-	-	2,366	-	2,366
Balance as at June 30, 2015	**215,236**	**$ 782,440**	**$ 17,860**	**$ (514,434)**	**$ -**	**$ 285,866**

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(unaudited)

	Three months ended June 30		Six months ended June 30	
(in thousands of Canadian dollars)	**2016**	2015	**2016**	2015
Operating Activities				
Net (loss) income	**$ (12,520)**	$ (5,822)	**$ (25,295)**	$ 2,366
Add (deduct):				
Depletion, depreciation & amortization (notes 5 & 6)	**6,642**	8,982	**13,788**	19,490
Gains on dispositions of properties (note 3)	**(6,714)**	(2,390)	**(5,859)**	(21,793)
Deferred income tax (note 3)	**7,100**	-	**7,100**	-
Share-based compensation	**672**	623	**1,352**	1,049
Accretion of decomissioning obligations (note 7)	**578**	622	**1,130**	1,239
Bad debt expense	**379**	57	**458**	554
Foreign exchange loss (gain)	**(24)**	101	**53**	(288)
Unrealized loss on derivative contract	**3,576**	398	**3,576**	684
Net loss attributable to non-controlling interest (note 3)	**(3,351)**	-	**(3,351)**	-
Decommissioning obligation expenditures & other	**(511)**	(587)	**(3,676)**	(1,040)
Change in operating non-cash working capital (note 9)	**2,543**	1,375	**4,759**	1,246
Cash flow from operating activities	**(1,630)**	3,359	**(5,965)**	3,507
Financing Activities				
Long-term debt borrowing	**407**	-	**407**	**-**
Cash flow from financing activities	**407**	-	**407**	**-**
Investing Activities				
Proceeds on property dispositions (note 5)	**7,613**	1,200	**7,912**	42,935
Development & exploration expenditures (notes 5 & 6)	**(1,347)**	(4,921)	**(4,373)**	(27,014)
Investment in restricted cash	**(1,192)**	-	**(1,192)**	-
Cash acquired on business acquisition (note 3)	**867**	-	**867**	-
Change in investing non-cash working capital (note 9)	**(1,856)**	(8,909)	**(8,223)**	(14,744)
Cash flow from investing activities:				
Continuing operations	**4,085**	(12,630)	**(5,009)**	1,177
Discontinued operations	**-**	(142)	**-**	(353)
Cash flow from investing activities	**4,085**	(12,772)	**(5,009)**	(93)
Change in cash, during the period				
Continuing operations	**2,862**	(9,271)	**(10,567)**	4,684
Discontinued operations	**-**	(142)	**-**	(353)
Cash, beginning of period	**24,385**	60,274	**37,947**	46,018
Cash, foreign currency translation gain (loss)	**7**	(129)	**(127)**	383
Cash, end of period	**$ 27,254**	$ 50,732	**$ 27,254**	$ 50,732

Other supplementary information (note 9)

See accompanying notes to the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

(unaudited)

For the three and six months ended June 30, 2016 and 2015

Tabular amounts in thousands of Canadian dollars, except as noted

1. Reporting Entity

Chinook Energy Inc. is a Calgary-based petroleum and natural gas production company focused on development and exploration opportunities in western Canada.

These unaudited condensed consolidated financial statements for the three and six months ended June 30, 2016 and 2015 (these "Financial Statements") include the accounts of Chinook Energy Inc. ("CEI") and two directly held wholly-owned subsidiaries: 1542991 Alberta Ltd. ("WOGH GP"), and Storm Ventures International (BVI) Limited.

Since June 10, 2016, these Financial Statements also include the accounts of Tournament Exploration Ltd. ("Tournament"), a privately owned Calgary-based petroleum and natural gas production company (collectively, including all three subsidiaries, "Chinook"). On June 10, 2016 (the "Closing Date"), CEI completed the acquisition of 70% of Tournament's issued and outstanding common shares, pursuant to an asset purchase and sale agreement (the "PSA") dated and effective May 1, 2016 (see note 3, "Business Acquisition"). As a result, Tournament became a partially-owned but controlled subsidiary of CEI. In consideration, CEI transferred all of its non-Montney producing and undeveloped properties in Alberta, Canada, and the associated decommissioning obligations in addition to $0.9 million of cash to Tournament (the "Subject Assets"). Since Tournament is a private company and the fair value of this company's common shares was not available from transparent market transactions, the fair value of the Subject Assets was used to evaluate the fair value of Tournament. Since CEI maintained control over the Subject Assets, the measure of its consideration for Tournament's common shares on the Closing Date was calculated at $27.1 million based on the 30% non-controlling interest in the carrying values of the Subject Assets. Exclusive of the Subject Assets consideration, the fair value evaluated for Tournament's net assets on the Closing Date was used to determine a $10.1 million non-controlling interest in Tournament's common shares. These measures are initially reported as non-controlling interest on the consolidated statements of financial position. Tournament's financial results since June 10, 2016 as included in these Financial Statements, is reported through the same account on the consolidated statements of operations and comprehensive income (loss).

All intercompany balances and transactions have been eliminated.

2. Basis of Presentation

These Financial Statements have been prepared following the same accounting policies as summarized in note 3 in the audited consolidated financial statements of Chinook for the years ended December 31, 2015 and 2014 (the "Audited Financial Statements"). They do not include all of the required disclosures for annual consolidated financial statements and therefore should be read in conjunction with the Audited Financial Statements and the notes thereto.

These Financial Statements have been prepared by management in accordance with International Accounting Standard 34 'Interim Financial Reporting' using accounting principles consistent with International Financial Reporting Standards issued by the International Accounting Standards Board.

These Financial Statements were approved and authorized for issuance by Chinook's Board of Directors on August 10, 2016.

3. Business Acquisition

On the Closing Date, CEI completed the acquisition for 70% of Tournament's issued and outstanding common shares, pursuant to the PSA dated and effective May 1, 2016. In consideration for 70% of the issued and outstanding common shares, CEI transferred the Subject Assets to Tournament. The purpose of this business acquisition was to consolidate similar Alberta non-Montney properties with sufficient associated reserves to attract additional financing and have a management team focused on the development of these properties. This business acquisition has been prepared in accordance with the acquisition method as disclosed in note 3 of Chinook's Audited Financial Statements.

Concurrent with CEI's contribution of the Subject Assets to Tournament, WOGH Limited Partnership ("WOGH") contributed producing and undeveloped properties in similar areas net of associated decommissioning obligations and cash to acquire 10% of Tournament's issued and outstanding common shares pursuant to the PSA. WOGH is a partnership principally owned by Alberta Investment Management Corporation, a related party to Chinook. As the issuance of Tournament's common shares to CEI and WOGH was evaluated on the fair value of contributed net assets of each transacting party relative to the total fair value, CEI sequenced this business acquisition to already include WOGH's contribution of net assets. As a result, the fair value of net assets acquired by CEI includes both of those contributed from Tournament and WOGH.

Transaction costs incurred on this business acquisition are estimated at $1.6 million and include legal and other professional fees in addition to CEI severance costs. These costs have been expensed on the consolidated statements of operations and comprehensive income (loss). Transaction costs incurred by Tournament prior to June 10, 2016, were estimated at $0.6 million and included in Tournament's accrued liabilities.

Fair Value of Tournament's Net Assets

Since Tournament is a private company and the fair value of this company's common shares was not available from transparent market transactions, management evaluated the fair value of its net assets as at the Closing Date as follows:

Development & production assets: this fair value was approximated using an internally prepared reserve evaluation. This evaluation uses future net revenues anticipated to be produced from Tournament's proved plus probable reserves, using a discount rate range, depending on the category of reserves, from 10% to 20%. The measure of future net revenues includes an estimate of decommissioning costs for proved undeveloped and probable well additions.

Exploration & evaluation assets: this fair value was approximated using recent market sales transactions of similar undeveloped lands in the immediate surrounding areas.

Decommissioning obligations: this fair value was determined using the timing and estimated costs associated with the abandonment, restoration and reclamation of proved developed wells and infrastructure and then present valued using a market discount rate.

Debt: was fair valued at the outstanding principal amount.

Other financial instruments: the carrying values of other financial instruments approximate their fair values.

Non-controlling interest: the above fair value measures were used to calculate the Closing Date fair value of the 30% non-controlling interest in Tournament reported in the account non-controlling interest as included on the consolidated statements of financial position.

CEI's Consideration

As Chinook maintained control over the Subject Assets transferred to Tournament after this acquisition, it will continue to measure the Subject Assets at their carrying amounts immediately after the acquisition. This resulted in the Subject Assets' carrying value at the Closing Date being used to determine the 30% non-controlling interest. An evaluation of the fair value of the D&P assets' component of the Subject Assets revealed that the fair value less costs to sell was less than the value-in-use. As a result, Chinook adjusted for the non-controlling interest portion of this loss through an adjustment to equity of $3.5 million.

Given that CEI maintained control of the Subject Assets transferred to Tournament, a deferred income tax liability arose as a result of moving the Subject Assets, excluding cash, at their carrying values to Tournament. Management determined that this liability was an indirect tax consequence arising from CEI's consideration to Tournament. As a result, using an effective tax rate of 27%, Chinook is reporting a $7.1 million deferred income tax expense for the three and six months ended June 30, 2016.

Business Combination

A summary of the preliminary business combination is as follows:

	June 10, 2016
Estimated fair value of net assets acquired:	
Cash	$ 867
Accounts receivable	4,187
Prepaids & deposits	155
Development and production assets (note 5)	51,200
Exploration and evaluation assets (note 6)	2,090
Accounts payable and accrued liabilities	(3,128)
Bank debt	(17,793)
Provisions	(3,977)
Non-controlling interest	(10,080)
	$ 23,521
Estimated consideration:	
Non-controlling interest in the carrying value of the Subject Assets	$ 27,054
Equity loss	(3,533)
	$ 23,521

Since June 10, 2016, as included in Chinook's three and six months ended June 30, 2016 consolidated statements of operations and comprehensive income (loss), approximately $0.7 million of revenue and a $7.7 million net loss were recognized from Tournament's petroleum and natural gas production. These measures exclude the operating results from the Subject Assets since the Closing Date. Had this business acquisition been effective January 1, 2016, management estimates the approximated consolidated pro forma revenues and net losses at $21.2 million and $27.6 million, respectively, for the six months ended June 30, 2016.

Net Loss Attributable to Non-controlling Interest

The net loss of Tournament since June 10, 2016, resulted in a non-controlling interest loss of $3.4 million for the three and six months ended June 30, 2016.

4. Derivative Contracts

Subsequent to the Tournament business acquisition on June 10, 2016, and in compliance with Tournament's credit agreement (see note 8), Chinook entered into the following price risk management contracts:

Financial AECO Natural Gas Contract

Portion of Contractual Term	Average Notional Volumes (GJ/d) (1)	Company's Received Price	Indexed Price
July 1, 2016 to December 31, 2016	12,053	$2.56/GJ	AECO 7A
January 1, 2017 to December 31, 2017	10,616	$2.56/GJ	AECO 7A
January 1, 2018 to December 31, 2018	8,305	$2.56/GJ	AECO 7A
January 1, 2019 to December 31, 2019	6,518	$2.56/GJ	AECO 7A
January 1, 2020 to June 30, 2020	5,412	$2.56/GJ	AECO 7A

Financial WTI Crude Oil Contract

Portion of Contractual Term	Average Notional Volumes (bbl/d) (1)	Company's Received Price (2)	Indexed Price
July 1, 2016 to December 31, 2016	690	USD $51.20/bbl	WTI
January 1, 2017 to December 31, 2017	577	USD $51.20/bbl	WTI
January 1, 2018 to December 31, 2018	462	USD $51.20/bbl	WTI
January 1, 2019 to December 31, 2019	383	USD $51.20/bbl	WTI
January 1, 2020 to May 31, 2020	323	USD $51.20/bbl	WTI

(1) The average notional volumes represent the weighted average volume per day of the contractual monthly notional volumes over the portion of the contractual term under discussion. The notional volumes per day generally decrease over the term of the contracts. These commodity price risk management contracts are settled monthly.

(2) United States Dollars ("USD").

These commodity price contracts were assessed as level 2 on the fair value hierarchy. At June 30, 2016, the natural gas and crude oil derivative contracts had a combined fair value liability of $3.6 million as reported through the line item derivative contracts in current assets, current liabilities, and long term liabilities on the condensed consolidated statements of financial position. The fair value of each contract was determined through the difference in the referenced benchmark forward price as compared to the contract's strike price multiplied by the notional volumes during the remaining contractual term. Chinook had no derivative contracts outstanding at December 31, 2015.

5. Development and Production Assets ("D&P Assets")

The following table reconciles Chinook's D&P Assets for the six months ended June 30, 2016:

Cost of Assets		2016
Beginning balance	$	719,199
Capital expenditures		4,309
Business acquisition (note 3)		51,200
Cost of properties sold		(14,042)
Decommissioning asset additions and change in estimates (note 7)		15,081
Ending balance	$	775,747
Accumulated Depletion & Depreciation		
Beginning balance	$	(473,163)
Depletion & depreciation		(11,904)
Reversed on sale of properties		9,238
Ending balance	$	(475,829)
Net book values		
Balance as at December 31, 2015	$	246,036
Balance as at June 30, 2016	$	299,918

Chinook capitalized $0.6 million and $0.9 million of direct general and administrative costs related to its development activity during the three and six months ended June 30, 2016, respectively (three and six months ended June 30, 2015, $0.3 million and $0.6 million, respectively).

During the three and six months ended June 30, 2016, Chinook completed the sale of several petroleum and natural gas properties for proceeds of $7.6 million and $7.9 million, respectively (three and six months ended June 30, 2015 - $1.2 million and $42.9 million, respectively) resulting in gains of $6.7 million and $5.9 million, respectively (three and six months ended June 30, 2015 gains of $2.4 million and $21.8 million, respectively).

6. Exploration & Evaluation Assets ("E&E Assets")

The following table reconciles Chinook's E&E Assets for the six months ended June 30, 2016:

Cost of Assets		2016
Beginning balance	$	68,622
Capital expenditures		64
Business acquisition (note 3)		2,090
Cost of properties sold		(2,976)
Ending balance	$	67,800
Accumulated Amortization		
Beginning balance	$	(44,315)
Amortization		(1,884)
Cost of properties sold		2,712
Ending balance	$	(43,487)
Net book values		
Balance as at December 31, 2015	$	24,307
Balance as at June 30, 2016	$	24,313

7. Provisions

The following table reconciles Chinook's provisions for the six months ended June 30, 2016:

	2016
Beginning balance	**$ 98,742**
Business acquisition (note 3)	**3,977**
Decommissioning assets additions and change in estimates	**15,081**
Property dispositions	**(3,014)**
Decommissioning obligation expenditures	**(3,300)**
Accretion expense	**1,130**
Expenditures related to other provisions	**(376)**
Total provisions	**$ 112,240**

As reported on the condensed consolidated statements of financial position, Chinook's provision balance consists of:

	June 30 2016	December 31 2015
Short-term portion of provisions	**$ 300**	$ 2,700
Long-term portion of provisions	**111,940**	96,042
Total provisions	**$ 112,240**	$ 98,742

8. Long-Term Debt

	June 30 2016	December 31 2015
Current portion		
Tournament credit facility	**$ 4,310**	**$ -**
Long-term portion		
Tournament credit facility	**13,890**	-
	$ 18,200	**$ -**

CEI Credit Facility

During the three and six months ended June 30, 2016, CEI voluntarily reduced the borrowing base of its undrawn, reserve-based credit facility (the "CEI Credit Facility"), with a Canadian bank, from $50.0 million to $nil, as a result of the transfer of the Subject Asset's associated proved developed producing reserves to Tournament. There were no outstanding draws at the time of this voluntary reduction in the borrowing base (undrawn with a borrowing base of $50.0 million - December 31, 2015). Chinook is currently in negotiations with its lender to determine the re-evaluated borrowing base. The CEI Credit Facility does not include any financial covenants and is collateralized by floating charges and security interests over all present and future properties and other assets of CEI.

As a result of this voluntary reduction in the borrowing base to $nil, Chinook was required to secure a total of $1.2 million in outstanding letters of credit through depositing an equivalent amount in cash with its lender. This cash is not accessible until such time that the letters of credit expire, the beneficiaries agree to release their guarantees or there is a sufficient increase in the borrowing base of the CEI Credit Facility to provide adequate security against these guarantees. As at June 30, 2016, each letter of credit expires within one year.

Tournament Credit Facility

On June 10, 2016, as a result of the acquisition of Tournament (see note 3 “Business Acquisition”), Chinook acquired $17.8 million of outstanding debt under a credit agreement (the “Tournament Credit Facility”) Tournament had with an international lender. Shortly after June 10, 2016, Tournament drew another $0.4 million to finance its operations bringing the total borrowings to $18.2 million at June 30, 2016. The Tournament Credit Facility is collateralized by floating charges and security interests over all present and future properties and other assets of Tournament. Borrowings under the Tournament Credit Facility will incur interest at a variable per annum rate equal to 8% plus the Canadian Deposit Offered Rate and then 1% on all draws. Borrowings to a maximum of $100.0 million (the “Term Facility Amount”) under the Tournament Credit Facility are available in two tranches as follows:

> *Tranche A:* This tranche is $18.2 million of the Term Facility Amount. It was fully drawn at June 30, 2016.
>
> *Tranche B:* The remaining $81.8 million of the Term Facility Amount is available under Tranche B beginning on the date that Tranche A has been fully drawn but no later than June 10, 2018. Borrowings under this tranche may be used for lender approved acquisition and development activities, closing costs, Tournament Credit Facility fees, expenses and fees of the lender and other uses as approved by the lender. There were no drawings under this tranche at June 30, 2016.

Drawings on Tranche A are to be repaid according to a quarterly minimum repayment schedule. At June 30, 2016, the minimum annual repayment amount is $4.3 million reported as the current portion of debt on the condensed consolidated statements of financial position. In addition, the lender is entitled to all of Tournament’s net operating cash flows until all borrowings are repaid. These Tournament net operating cash flows, as defined by a term of the Tournament Credit Facility, are first used to meet the quarterly minimum repayment schedule. Cash flows in excess of this minimum repayment schedule are then applied to the remaining outstanding long-term debt. The Tournament Credit Facility matures on June 10, 2019, at which time all outstanding borrowings are due.

The Tournament Credit Facility covenants require that the ratio of Tournament’s working capital, defined as the ratio of Tournament’s current assets to current liabilities but excluding marked-to-market derivative assets and/or liabilities and the current portion of long-term debt, is no less than 1.0:1.0 at each quarter end. Tournament was in compliance with this ratio at June 30, 2016.

The terms of the Tournament Credit Facility also require that Tournament enter into commodity price risk contracts for a minimum notional volume of crude oil and natural gas based on forecasted proved developed producing volumes. Shortly after June 10, 2016, Tournament entered crude oil and natural gas derivative contracts to satisfy this requirement, which represented all of the outstanding risk management contracts at June 30, 2016, and as detailed in note 4. Furthermore, as a condition of the Tournament Credit Facility, Tournament may only enter into derivative contracts with lender approved counterparties.

9. Other Supplementary Information

Changes in non-cash working capital

	Three months ended June 30		Six months ended June 30	
	2016	**2015**	**2016**	**2015**
Cash provided by (used for):				
Accounts receivable	**$ 3,816**	$ 5,568	**$ 4,800**	$ 10,679
Prepaids & deposits	**3,533**	(11,465)	**(1,444)**	(22,928)
Accounts payable, accrued liabilities & other	**(6,662)**	(1,637)	**(6,820)**	(1,249)
	$ 687	$ (7,534)	**$ (3,464)**	$ (13,498)
Cash provided by (used for):				
Operating activities	**$ 2,543**	$ 1,375	**$ 4,759**	$ 1,246
Investing activities	**(1,856)**	(8,909)	**(8,223)**	(14,744)
	$ 687	$ (7,534)	**$ (3,464)**	$ (13,498)

Cash interest and financing fees paid

	Three months ended June 30		Six months ended June 30	
Three months ended June 30	**2016**	2015	**2016**	2015
Cash interest & financing fees paid	**$ 158**	$ 167	**$ 260**	$ 330

Per share amounts

The per share amounts for the three and six months ended June 30, 2016 and 2015, were calculated as per the following table:

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Weighted average shares outstanding - basic (thousands)	**215,350**	215,089	**215,350**	215,087
Dilutive impact of Share-Based Awards (thousands)	**-**	-	**-**	34
Weighted average shares outstanding - diluted (thousands)	**215,350**	215,089	**215,350**	215,121
Net (loss) income	**$ (12,520)**	$ (5,822)	**$ (25,295)**	$ 2,366
Net (loss) income per share - basic & diluted ($/share)	**$ (0.06)**	$ (0.03)	**$ (0.12)**	$ 0.01

For the three and six months ended June 30, 2016, and the three months ended June 30, 2015, because Chinook reported net losses, the effect of share options, restricted awards and performance awards (collectively, “Share-Based Awards”), would have been anti-dilutive resulting in them being excluded in the calculation of diluted weighted average shares outstanding. For the six months ended June 30, 2015, the calculation of diluted income per share assumes the exercise of Share-Based Awards as if issued at the later of the date of grant or the beginning of the period. This calculation takes into account only the options that are considered to be “in-the-money” in accordance with the treasury method.

10. Subsequent Event

On August 2, 2016, CEI initiated a review of strategic alternatives, which may include, among other things, a review of acquisition opportunities, a merger, sale, joint venture or other opportunities.

Corporate Information

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STOCK EXCHANGE / SYMBOL

TSX: CKE

DIRECTORS

Matthew J. Brister, Chairman
Jill T. Angevine (2) (3)
Donald F. Archibald (2) (3)
Stuart G. Clark, Lead Director (1) (3)
Robert J. Herdman (1)
Robert J. Iverach (1)
P. Grant Wierzba (2)

(1) Member of the Audit Committee
(2) Member of the Reserves, Safety and Environmental Committee
(3) Member of the Compensation, Nominating and Corporate Governance Committee

MANAGEMENT

Walter J. Vrataric
President & Chief Executive Officer

Timothy S. Halpen
Chief Operating Officer

Jason B. Dranchuk
Vice President, Finance & Chief Financial Officer

S. Brent Dube
Vice President, Production

Ryan C. White
Vice President, Drilling and Completions

Darrel G. Zacharias
Vice President, Exploration

Chad T. Lerner
Vice President, Land

Fred D. Davidson
Corporate Secretary

SOLICITOR

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

AUDITORS

KPMG LLP, Calgary, Alberta

BANKERS

CEI Credit Facility:
National Bank of Canada
Tournament Credit Facility:
Macquarie Bank Limited

REGISTRAR & TRANSFER AGENT

Alliance Trust Company, Calgary, Alberta

RESERVE ENGINEER

McDaniel & Associates Consultants Ltd., Calgary, Alberta

ABBREVIATIONS

AECO	Western Canadian Natural Gas reference price
bcf	billion cubic feet
bps	basis points
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
bbls	barrels
bbls/d	barrels per day
bop/d	barrels of oil per day
EBITDA	Earnings Before Interest, Taxes, Depreciation/Depletion and Amortization
IFRS	International Financial Reporting Standards
GJ	gigajoule
mcf	thousands of cubic feet
mcf/d	thousands of cubic feet per day
mmbbls	millions of barrels
mmcf	millions of cubic feet
mmcf/d	millions of cubic feet per day
WCSB	Western Canadian Sedimentary Basin
WTI	West Texas Intermediate oil price

CONVERSION

Six thousand cubic feet (mcf) of natural gas equals one barrel of oil equivalent.