



NEWS RELEASE

CHINOOK ENERGY ANNOUNCES STRATEGIC TRANSACTION TO CREATE A WELL CAPITALIZED MONTNEY FOCUSED GROWTH COMPANY

CALGARY, ALBERTA – June 13, 2016 – Chinook Energy Inc. (TSX: CKE) ("**Chinook**" or the "**Company**") announced today that it has completed the divestiture of the majority of its Alberta oil and natural gas assets, excluding its Montney assets (the "**Subject Assets**"), with an effective date of May 1, 2016, to Tournament Exploration Ltd ("**Tournament**"), a private oil and natural gas company, for common shares in Tournament (the "**Transaction**") representing approximately 70% of the issued and outstanding share capital of Tournament upon closing of the Transaction. In connection with the Transaction, Chinook also made a payment of \$925,000 to Tournament. A copy of the asset purchase and sale agreement will be available for review on Chinook's SEDAR profile at www.sedar.com.

The Subject Assets, which represent all of Chinook's Alberta oil and natural gas assets, excluding its Montney assets, have the following characteristics:

Average Daily Production (Q1 2016)⁽¹⁾
985 Bbl/d Oil and Natural Gas Liquids
12.0 MMcf/d Conventional Natural Gas
2,987 BOE/d Total
33% Oil & Natural Gas Liquids

Reserves⁽²⁾
7.88 MMBOE Proved
12.05 MMBOE Proved and Probable

Reserve Values⁽³⁾
88.0 MM\$ Proved
122.2 MM\$ Proved and Probable

- (1) Based on current field estimates.
- (2) Reflects "gross" reserves assigned to the Subject Assets effective December 31, 2015 by the Company's independent reserves evaluator, McDaniel & Associates Consultants Ltd. ("**McDaniels**"), in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**") and the definitions and provisions contained in the COGE Handbook.
- (3) Reserve values are the before tax present values of cash flow at a 10% discount rate (as at December 31, 2015) and do not necessarily represent fair market value.

All, or a portion, of the common shares of Tournament received by Chinook from the Transaction are expected to be distributed to Chinook shareholders (the "**Share Distribution**"). It is anticipated that Chinook will convene a meeting (the "**Meeting**") of its shareholders in due course, expected by the end of 2016, to approve the proposed Share Distribution. The exact number of shares to be distributed and the date for determining the Chinook 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, Chinook's financial statements will include the consolidated results of Tournament.

Strategic Rationale

Chinook's management and Board of Directors have continuously reviewed options available to Chinook to ensure that shareholder value is being maximized. As part of this review, Chinook determined that the disposition of the Subject Assets would allow Chinook to focus on its emerging Montney assets at Birley/Umbach, British Columbia and at Gold Creek, Alberta. Through the proposed Share Distribution and retained ownership of Chinook, Chinook shareholders are expected to benefit from the ownership of Tournament shares and the continued participation in the growth and future value creation of Chinook.

Based on these and other factors, the Board of Directors of Chinook has unanimously approved the Transaction.

In addition to Chinook's disposition of the Subject Assets in connection with the Transaction, WOGH Limited Partnership ("**WOGH**"), a wholly-owned subsidiary of Chinook's major shareholder, Alberta Investment Management Corporation ("**AIMCo**"), on behalf of certain of its clients, concurrently disposed of its interests in oil and natural gas assets that overlapped the Subject Assets to Tournament in consideration for shares of Tournament representing approximately 10% of the issued and outstanding share capital of Tournament upon closing of the Transaction. AIMCo is one of Canada's largest and most diversified institutional investment managers with more than \$90 billion of assets under management.

Chinook After the Transaction and the Share Distribution

As a result of the completion of the Transaction, Chinook will concentrate on its remaining core Montney acreage at Birley/Umbach where Chinook has been progressing with a development program since 2014.

Chinook expects to have the following operational characteristics, pro-forma the Transaction and the Share Distribution (assuming such Share Distribution is effective upon closing of the Transaction):

Average Daily Production (Q1 2016)⁽¹⁾⁽⁴⁾
510 Bbls/d Oil and Natural Gas Liquids
13.0 MMcf/d Conventional Natural Gas
2,677 BOE/d Total
19% Oil & Natural Gas Liquids

Reserves⁽²⁾⁽⁴⁾
11.10 MMBOE Proved
18.29 MMBOE Proved and Probable

Reserve Values⁽³⁾⁽⁴⁾
38.6 MM\$ Proved
74.0 MM\$ Proved and Probable

Montney land holdings
175 gross (122 net) sections

- (1) Based on current field estimates.
- (2) Reflects "gross" reserves assigned to the assets retained by Chinook effective December 31, 2015 by Chinook's independent reserves evaluator, McDaniels, in accordance with NI 51-101 and the definitions and provisions contained in the COGE Handbook.
- (3) Reserve values are the before tax present values of cash flow at a 10% discount rate (as at December 31, 2015) and do not necessarily represent fair market value.
- (4) Gives effect to the pending disposition by Chinook of certain of assets located in the Gold Creek area of Alberta announced on May 25, 2016. As at December 31, 2015, Chinook had total proved and total proved plus probable reserves associated with these properties of 98.6 MBOE and 137.8 MBOE, respectively, with associated estimated net present values of approximately \$0.7 million and \$0.9 million using forecast pricing at a 10% discount. Chinook's first quarter 2016 average production from such assets were 23 BOE/d (38% natural gas and 62% oil and natural gas liquids).

Given Chinook's strong positive cash position (unconsolidated June 30, 2016 net surplus forecasted to be approximately \$21 million), Chinook has elected to voluntarily reduce the amounts available under its syndicated and operating credit facilities to an amount equal to Chinook's outstanding letters of credit, thereby eliminating the requirement to pay standby fees thereunder. Chinook intends to re-establish the borrowing base under its credit facilities to an amount that exceeds its outstanding letters of credit in due course once its lenders have had an opportunity to re-determine the borrowing base after taking into account the Transaction.

About Tournament

Tournament's current assets are primarily located in the Willesden Green and Ferrier areas of Alberta, with other minor interests in Wilson Creek, Lochend and Pembina areas of Alberta. Subsequent to the Transaction, Tournament expects to continue to be a growth-oriented, exploration-focused entity. Subject to the receipt of the requisite shareholder approvals, Tournament intends to change its name to "Craft Oil Ltd."

The management team of Tournament is led by Trevor Spagrud as President and Chief Executive Officer and Larry Hammond as Chief Operating Officer. The Board of Directors of Tournament upon closing of the Transaction will consist of Brent Ronald, Brian Krausert, Herb Pinder, Rob Zakresky, Walter Vrataric (the nominee of Chinook) and a nominee of WOGH. In accordance with the terms and conditions of a shareholders' agreement entered into among Chinook, Tournament and the other working interest partner who also disposed of their interest in the Subject Assets to Tournament, the parties have agreed that for so long as Chinook continues to own or control 10% or more of the issued and outstanding common shares of Tournament, it shall be entitled to one nominee on the Board of Directors of Tournament.

Tournament expects to have the following financial and operational characteristics, pro-forma the Transaction:

Average Daily Production (Q1 2016)⁽¹⁾
1,690 Bbls/d Oil and Natural Gas Liquids
20.1 MMcf/d Conventional Natural Gas
5,041 BOE/d Total
34% Oil & Natural Gas Liquids

Reserves⁽²⁾
14.27 MMBOE Proved
21.26 MMBOE Proved and Probable

Reserve Values⁽³⁾
129.1 MM\$ Proved
192.2 MM\$ Proved and Probable

- (1) Based on current field estimates.
- (2) Reflects "gross" reserves assigned to Tournament's assets effective December 31, 2015 by Tournament's independent reserves evaluator, Sproule Associates Ltd. and reserves assigned to the Subject Assets effective December 31, 2015 by Chinook's independent reserves evaluator, McDaniels, in accordance with NI 51-101 and the definitions and provisions contained in the COGE Handbook, which reserves have been increased as necessary to account for the additional interests of the vendor of the other interests in certain of the Subject Assets.
- (3) Reserve values are the before tax present values of cash flow at a 10% discount rate and do not necessarily represent fair market value.

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".

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Reader Advisory

Forward-Looking Information and Statements

This news release contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" "forecast" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this news release contains forward-looking information and statements pertaining to the following: various matters related to the proposed Transaction disclosed herein including the Company's expected pro-forma ownership of Tournament, Chinook's intention to distribute the Tournament shares to Chinook shareholders and the method of completing the same; the anticipated benefits to Chinook from completing the Transaction and the Share Distribution; Chinook's intention to concentrate on its Montney assets subsequent to the Transaction; Chinook's anticipated pro-forma metrics subsequent to the Transaction and the Share Distribution; Chinook's intention to re-establish its credit facilities after its lenders have re-determined its borrowing base; Chinook's expected cash surplus; Tournament's expected management and board subsequent to the Transaction; and Tournament's anticipated pro-forma metrics subsequent to the Transaction; the effect of the Transaction on continuing operations and on Chinook's production volumes and the benefits anticipated to be derived therefrom, post-Transaction strategy, plans and operations; and the volume and product mix of Chinook's and Tournament's oil and natural gas production; projected debt levels (positive working capital) on a post-Transaction and Share Distribution basis; the effects of the Transaction on Chinook's reserve volumes. In addition, information and statements herein relating to "reserves" are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

Forward-looking statements or information are based on a number of material factors, expectations or assumptions of Chinook which have been used to develop such statements and information but which may prove to be incorrect. Although Chinook believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Chinook can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: the Share Distribution will be completed on the terms disclosed herein; the Gold Creek asset disposition may not be completed in the timeframes and in the manner currently contemplated; the impact of increasing competition; the general stability of the economic and political environment in which Chinook operates; the timely receipt of any required regulatory approvals; the lender's assessment of Chinook's borrowing base; the ability of the parties to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects in which the parties have an interest in to operate the field in a safe, efficient and effective manner; the ability of the parties to obtain financing on acceptable terms, including in the case of Tournament matters related to their debt agreements; field production rates and decline rates; anticipated production volumes; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and cost of pipeline, storage and facility construction and expansion and the ability of each party to secure adequate product transportation; future commodity prices; currency, exchange and interest rates; regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which such parties operate; the ability of each party to successfully market its oil and natural gas products. To the extent such estimate constitutes a financial outlook, it is included herein to provide readers with an understanding of estimated capital expenditures and the effect thereof on debt levels and readers are cautioned that the information may not be appropriate for other purposes.

The forward-looking information and statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such information and statements, including the assumptions made in respect thereof, involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: the Share Distribution may not be completed on the terms disclosed herein or at all; the Gold Creek asset disposition may not be completed in the timeframes and in the manner currently contemplated (or at all); changes in commodity prices; changes in the demand for or supply of products; unanticipated operating results or production declines; incorrect assessments of capital expenditures, cash flows and Transaction costs, changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of or by third party operators of each party's properties, increased debt levels or debt service requirements; inaccurate estimation of Chinook's and/or Tournament's oil and natural gas reserve and resource volumes; limited, unfavourable or a lack of access to capital and/or debt markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in Chinook's public disclosure documents (including, without limitation, those risks identified in this news release and Chinook's Annual Information Form).

The forward-looking information and statements contained in this news release speak only as of the date of this news release, and Chinook does not assume any obligation to publicly update or revise any of the included forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Reserves

The recovery and reserves estimates contained herein are estimates only and there is no guarantee that the estimated reserves will be recovered.

BOE Equivalent

Barrel of oil equivalents or BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 mcf:1 bbl 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 than the energy equivalency of 6:1, utilizing a 6:1 conversion basis may be misleading as an indication of value.

Net Debt (Surplus)

The reader is cautioned that this news release contains the term net debt, which is not a recognized measure under IFRS and is calculated as bank debt adjusted for working capital excluding mark-to-market derivative contracts, 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 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 Chinook's forecasted net surplus, may contain Future Oriented Financial Information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by management to provide an outlook of the Company's activities and results and may not be appropriate for other purposes. The FOFI has been prepared based on a number of assumptions including the assumptions discussed under the heading "Forward-Looking Statements and Information" and assumptions with respect to the completion of the Transaction and the disposition of Chinook's assets at Gold Creek production rates and commodity prices. The actual results of the Company's operations and the resulting financial results may vary from the amounts set forth herein, and such variations may be material. Management believes that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments.

Third Party Information

All information regarding Tournament contained herein, including all reserves and related information, financial information and all pro forma financial information reflecting the pro forma effects of the Transaction on Tournament, has been derived in part from information provided by Tournament and other third parties. Although the Company believes that the expectations and matters reflected in such forward-looking statements are based upon reasonable assumptions, and that information obtained from third party sources is reliable, they can give no assurance such matters and information will prove to have been correct.

Selected Definitions

Crude Oil and Natural Gas Liquids		Natural Gas	
<i>Bbls</i>	<i>barrels</i>	<i>Mcf</i>	<i>thousand cubic feet</i>
<i>Bbls/d</i>	<i>barrels per day</i>	<i>Mmcf</i>	<i>million cubic feet</i>
<i>BOE</i>	<i>barrels of oil equivalent of natural gas, on the basis of 1 BOE for 6 Mcf of natural gas</i>	<i>Mcf/d</i>	<i>thousand cubic feet per day</i>
<i>MMBOE</i>	<i>millions of barrels of oil equivalent</i>	<i>Mmcf/d</i>	<i>million cubic feet per day</i>