Q1 2016

News Release

CHINOOK energy inc

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

CALGARY, ALBERTA – May 10, 2016 – Chinook Energy Inc. ("our", "we", "us" or "Chinook") (TSX: CKE) is pleased to announce its first quarter financial and operating results.

Our operational and financial highlights for the three months ended March 31, 2016 are noted below and should be read in conjunction with our condensed consolidated financial statements for the three months ended March 31, 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).

First Quarter 2016 Financial and Operating Highlights

Three months ended March 31	2016	2015
OPERATIONS		
Production Volumes		
Crude oil (bbl/d)	**817**	1,485
Natural gas liquids (boe/d)	**733**	682
Natural gas (mcf/d)	**25,215**	33,007
Average daily production (boe/d)	**5,753**	7,668
Sales Prices		
Average oil price ($/bbl)	**$ 35.41**	$ 49.03
Average natural gas liquids price ($/boe)	**$ 27.65**	$ 36.47
Average natural gas price ($/mcf)	**$ 1.43**	$ 2.65
Netback [1]		
Average commodity pricing ($/boe)	**$ 14.82**	$ 24.15
Royalties ($/boe)	**$ (0.99)**	$ (2.07)
Net production expenses ($/boe) [1]	**$ (15.12)**	$ (17.04)
G&A expense ($/boe)	**$ (3.61)**	$ (4.00)
Netback ($/boe) [1]	**$ (4.90)**	$ 1.04
Wells Drilled (net)		
Total natural gas wells drilled (net)	**-**	2.75

Three months ended March 31		2016		2015
FINANCIAL ($ thousands, except per share amounts)				
Petroleum & natural gas revenues, net of royalties	**$**	**7,244**	$	15,240
(Outflow) funds from operations [(1)]	**$**	**(2,890)**	$	1,220
Per share - basic and diluted ($/share)	**$**	**(0.01)**	$	0.01
Net loss from continuing operations	**$**	**(12,775)**	$	8,189
Per share - basic and diluted ($/share)	**$**	**(0.06)**	$	0.04
Capital expenditures	**$**	**3,026**	$	22,093
Net debt (surplus) [(1)]	**$**	**(20,180)**	$	(48,596)
Total assets	**$**	**299,623**	$	431,085
Common Shares (thousands)				
Weighted average during period				
- basic		**215,349**		215,083
- diluted		**215,349**		215,112
Outstanding at period end		**215,350**		215,083

(1) (Outflow) funds from operations, (Outflow) funds from operations per share, net debt (surplus), netback, and net production expense are non-GAAP measures. These terms do not have any standardized meanings as prescribed by IFRS and, therefore, may not be comparable with the calculations of similar measures presented by other companies. See headings entitled "Funds (outflow) from Operations", "Net Debt (Surplus)", "Netback" and "Net Production Expense" in the Reader Advisory below for further information on such terms.

Highlights for the three months ended March 31, 2016

- We ended the first quarter of 2016 with a strong balance sheet including a working capital surplus of $20.2 million (including cash of $24.4 million) and remained undrawn on our $50.0 million reserve-based revolving credit facility. We expect to remain undrawn on this credit facility through 2016.
- We continued to implement cost saving initiatives as a result of the decrease in commodity prices. We decreased our overall G&A expenditures by 32% compared to the same quarter of 2015. Net production expenses were $15.12 per boe in the first quarter, a decrease of over 11% from the same quarter of 2015.
- We brought on-stream an additional three (2.75 net) wells at our Birley/Umbach area upon the commissioning of our facility expansion in mid-February. Currently we have production from five wells (4.25 net) in this area and have the capacity to add the volumes from a sixth well (0.75 net).
- March's net sales volumes from our Birley/Umbach area increased to 2,600 boe/d (13,000 mcf/d natural gas and 450 boe/d liquids). This increase combined with other well reactivations caused the first quarter volumes to be 1,825 boe/d higher than the fourth quarter of 2015, despite third party plant restrictions.

First Quarter 2016 Financial Results

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

Production in the first quarter of 2016 averaged 5,753 boe/d, down 25% from the same period in 2015; however this represented a 47% increase over the fourth quarter of 2015 production of 3,928 boe/d. The decrease from the first quarter of 2015 is attributed to property dispositions, voluntary shut-ins and ongoing pipeline services restrictions. A brief period of increased access to pipeline capacity and modestly improved natural gas pricing at Station 2 in British Columbia to $1.77/GJ, in addition to the completion of our Birley compressor expansion, resulted in increased production during the first quarter compared to the fourth quarter of 2015. However, as a result of continued depressed pricing at Station 2 that fell to $0.89/GJ during March, by the end of the first quarter, we temporarily shut-in approximately 1,100 boe/d of production volumes which were not tied to firm processing or transportation commitments, in addition to the 1,500 boe/d of production we had shut-in prior to the first quarter in response to lower commodity prices. Consequently, our average production in April was approximately 4,800 boe/d.

Our first quarter petroleum and natural gas revenues were down approximately 53% from the same period of 2015 as a result of lower realized weighted average commodity prices and lower volumes. Crude oil prices continued to decrease throughout 2015 as a result of an oversupply in the crude oil market. An increase in natural gas supply, ongoing pipeline service restrictions and reduced system capacity in northeastern British Columbia contributed to volatile natural gas price fluctuations.

Our first quarter net production expense (operating costs) decreased by almost 33% to $7.9 million from $11.8 million in the first quarter of 2015. In addition to our on-going review of our cost structure, production costs have decreased as a result of our 2015 property dispositions, the voluntary shut-in of relatively higher operating costs/lower netback wells and the impact of the temporary and voluntary shut-in of natural gas production due to lower commodity prices in British Columbia.

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

We reported a funds outflow from operations of $2.9 million during the first quarter of 2016, a decrease compared to funds from operations of $1.2 million in the same quarter of 2015. This outflow mostly resulted from lower petroleum and natural gas revenues which were approximately one-half compared to the same quarter of 2015 due to significantly lower realized commodity prices and to a lesser extent sales volumes.

First Quarter 2016 Operational Results

Amid continued depressed commodity prices, we remain focused on cost savings and strategic management. During the first quarter of 2016, our capital expenditures were focused on our first phase expansion of the compression facility in our Birley/Umbach area, which began operations during the quarter and our ongoing abandonment projects. The Birley/Umbach expansion has increased the facility's capacity by 25 mmcf/d, resulting in a total throughput capacity of 29 mmcf/d. In conjunction with the commissioning of the Birley/Umbach facility expansion we were able to commence production from an additional three (2.75 net) wells in our Birley/Umbach area, bringing the total wells on production in this area to five wells (4.25 net).

In response to continued depressed commodity prices, we have continued to focus on reducing our costs including the ongoing review and re-bid of third party contracts and agreements, the shut-in of wells and the optimization of field staff.

Northern Alberta Wildfires

To date our production volumes have not been affected by the May 2016 wildfires in northeastern Alberta in the Fort McMurray area. However, AECO pricing has been significantly affected due to a decrease in intra-Alberta demand resulting from these wildfires.

Outlook

Our strategy for the balance of 2016 will remain focused on cost reductions, prudent capital spending and continued rationalization of our non-core assets. We are moving towards a pure Montney play focused company with several Montney projects in various stages of development, of which Birley/Umbach is our top priority.

With commodity prices expected to remain low for the remainder of the year, we are reducing our total 2016 capital program to $10.1 million, focused on maintenance of our ongoing operations and abandonment program.

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.

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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: that we expect to remain undrawn on our credit facility during 2016, that we expect to remain focused on costs reductions, prudent capital management and continued rationalization of our non-core assets during the balance of 2016, as well as our expectation regarding capital expenditures set out under the heading “Outlook”.

With respect to the forward-looking statements contained in this news release, we have made assumptions regarding, among other things: that we will continue to conduct our operations in a manner consistent with past operations, future capital expenditure levels, future oil and natural gas prices, future oil and natural gas production levels, future currency, exchange and interest rates, our ability to obtain equipment in a timely manner to carry out exploration and development activities, the ability of the operator of the projects in which we have an interest in to operate in the field in a safe, efficient and effective manner, the impact of increasing competition, field production rates and decline rates, anticipated production volumes, our ability to replace and expand production and reserves through exploration and development activities, certain cost assumptions, the results of negotiations and the plans of our partners in certain of our areas; that the budgeted 2016 capital, which is subject to the discretion of our Board of Directors, will not be amended in the future, and the continued availability of adequate debt and cash flow to fund our planned expenditures. Although we believe that the expectations reflected in the forward-looking statements contained in this news release, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking statements included in this news release, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties that contribute to the possibility that predictions, forecasts, projections and other forward-looking statements will not occur, which may cause our actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices and currency fluctuations, our Board of Directors may amend the 2016 capital program based on its discretion; environmental risks, competition from other producers, inability to retain drilling rigs and other services, unanticipated increases in or unforeseen capital expenditure costs, including drilling, completion and facilities costs, unexpected decline rates in wells, delays in projects and/or operations resulting from surface conditions, wells not performing as expected, delays resulting from or inability to obtain the required regulatory approvals and inability to access sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the forgoing list of factors is not exhaustive. Additional information on these and other factors that could affect our operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) and at our website (www.chinookenergyinc.com). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and we do not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Netback

The reader is cautioned that this news release contains the term netback, which is not a recognized measure under IFRS and is calculated as a period's sales of petroleum and natural gas, net of royalties less net production and operating expenses and G&A expense as divided by the period's sales volumes. Management uses this measure to assist them in understanding our profitability relative to current commodity prices and it provides an analysis tool to benchmark changes in operational performance against prior periods and to peers on a comparable basis. Readers are cautioned, however, that this measure should not be construed as an alternative to other terms such as net income determined in accordance with IFRS as a measure of performance. Our method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

Net Production Expense

The reader is cautioned that this news release contains the term net production expense, which is not a recognized measure under IFRS and is calculated as production and operating expense less processing and gathering income. Management uses net production expense to determine the current periods' cash cost of operating expenses. Our method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

Funds (Outflow) from Operations

The reader is cautioned that this news release contains the term funds (outflow) from operations, which is not a recognized measure under IFRS and is calculated as cash flow from continuing operations adjusted for changes in non-cash working capital related to continuing operations, exploration and evaluation expenses and decommissioning obligation expenditures related to continuing operations. Management believes that funds (outflow) from operations is a key measure to assess our ability to finance capital expenditures and debt repayments. Readers are cautioned, however, that this measure should not be construed as an alternative to other terms such as cash flow from operating activities, net income or other measures of financial performance calculated in accordance with IFRS. Our method of calculating this measure may differ from other companies, and accordingly, it may not be comparable to measures used by other companies.

Net Debt (Surplus)

The reader is cautioned that this news release contains the term net debt (surplus), which is not a recognized measure under IFRS and is calculated as bank debt adjusted for working capital excluding mark-to-market derivative contracts, current portion of decommissioning obligation and assets and liabilities held for sale. Working capital excluding mark-to-market derivative contracts, current portion of decommissioning obligation and assets and liabilities held for sale is calculated as current assets less current liabilities both of which exclude derivative contracts and assets and liabilities held for sale and current liabilities excludes any current portion of debt and decommissioning obligation. Management uses net debt (surplus) to assist them in understanding our liquidity at specific points in time. Mark-to-market derivative contracts are excluded from working capital, in addition to net debt (surplus), as management intends to hold each contract through to maturity of the contract's term as opposed to liquidating each contract's fair value or less.

Future Oriented Financial Information

This news release, in particular the information in respect of anticipated capital expenditures set out 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.