Q2 2018

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 2018	December 31 2017
Assets		
Current		
Cash	**$ -**	$ 4,341
Accounts receivable	**3,595**	3,490
Prepaids & deposits	**1,602**	1,373
	5,197	9,204
Development & production assets (note 5)	**105,557**	110,078
Exploration & evaluation assets (note 6)	**12,883**	11,289
	$ 123,637	$ 130,571
Liabilities & Shareholders' Equity		
Current		
Accounts payable & accrued liabilities	**$ 4,554**	$ 9,915
Fair value of commodity price contracts (note 7)	**513**	-
Debt (note 8)	**3,297**	-
Provisions (note 9)	**1,318**	1,655
Deferred customer obligation	**775**	775
	10,457	12,345
Fair value of commodity price contracts (note 7)	**73**	-
Provisions (note 9)	**31,550**	31,627
Deferred customer obligation	**1,039**	1,427
Flow-through common shares premium (note 6)	**-**	323
Shareholders' Equity		
Share capital	**786,507**	786,492
Contributed surplus	**20,058**	19,835
Deficit	**(726,047)**	(721,478)
	80,518	84,849
	$ 123,637	$ 130,571

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income

(unaudited)

	Three months ended June 30		Six months ended June 30	
(in thousands of Canadian dollars, except per share amounts)	**2018**	2017	**2018**	2017
Petroleum & natural gas revenues (note 10)	**$ 7,127**	$ 6,694	**$ 12,985**	$ 13,469
Royalty expense	**(29)**	(111)	**(72)**	(48)
Petroleum & natural gas revenues, net of royalties	**7,098**	6,583	**12,913**	13,421
Processing & gathering revenues (note 10)	**241**	208	**529**	468
Take-or-pay contract revenue (note 10)	**985**	364	**1,988**	900
Petroleum, natural gas & other revenues, net of royalties	**8,324**	7,155	**15,430**	14,789
Realized gain (loss) on commodity price contracts	**69**	333	**(226)**	769
Unrealized (loss) gain on commodity price contracts	**(737)**	300	**(586)**	1,587
(Loss) gain on commodity price contracts	**(668)**	633	**(812)**	2,356
Total revenues, net of royalties and commodity price contracts	**7,656**	7,788	**14,618**	17,145
Production & operating	**4,324**	4,122	**8,335**	7,946
General & administrative	**987**	1,535	**2,158**	3,147
Take-or-pay contract expense	**1,145**	447	**2,300**	1,076
Severance costs	**-**	135	**721**	508
Exploration & evaluation (note 6)	**39**	103	**111**	195
Gain on dispositions of properties	**-**	-	**-**	(10,926)
Depletion, depreciation & amortization (notes 5 & 6)	**3,404**	3,074	**5,624**	6,007
Share-based compensation (note 11)	**147**	258	**238**	509
Deferred customer obligation amortization	**(194)**	-	**(388)**	-
Amortization of flow-through common shares premium (note 6)	**-**	-	**(323)**	-
Other losses (income)	**3**	238	**(23)**	300
Total expenses, net of gains on dispositions of properties, excluding finance expenses	**9,855**	9,912	**18,753**	8,762
(Loss) income before finance expenses	**(2,199)**	(2,124)	**(4,135)**	8,383
Interest & financing expense (income)	**98**	(40)	**86**	(124)
Accretion of provisions (notes 9)	**174**	169	**348**	338
Finance expenses	**272**	129	**434**	214
Net & comprehensive (loss) income	**$ (2,471)**	$ (2,253)	**$ (4,569)**	$ 8,169
Net (loss) income per share, basic and diluted (note 12)	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ 0.04

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

(in thousands of Canadian dollars, except common shares)	Common Shares (thousands)		Share Capital		Contributed Surplus		Deficit		Shareholders' Equity
Balance as at December 31, 2017	**223,565**	**$**	**786,492**	**$**	**19,835**	**$**	**(721,478)**	**$**	**84,849**
Settlement of restricted share awards	40		15		(15)		-		-
Share-based compensation (note 11)	-		-		238		-		238
Net loss	-		-		-		(4,569)		(4,569)
Balance as at June 30, 2018	**223,605**	**$**	**786,507**	**$**	**20,058**	**$**	**(726,047)**	**$**	**80,518**
Balance as at December 31, 2016	**216,443**	**$**	**784,105**	**$**	**19,759**	**$**	**(704,564)**	**$**	**99,300**
Settlement of restricted and performance share awards	672		830		(830)		-		-
Share-based compensation (note 11)	-		-		509		-		509
Net income	-		-		-		8,169		8,169
Balance as at June 30, 2017	**217,115**	**$**	**784,935**	**$**	**19,438**	**$**	**(696,395)**	**$**	**107,978**

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)	**2018**	2017	**2018**	2017
Operating Activities				
Net (loss) income	**$ (2,471)**	$ (2,253)	**$ (4,569)**	$ 8,169
Add (deduct):				
Depletion, depreciation & amortization (notes 5 & 6)	**3,404**	3,074	**5,624**	6,007
Gain on dispositions of properties	**-**	-	**-**	(10,926)
Unrealized loss (gain) on commodity price contracts	**737**	(300)	**586**	(1,587)
Accretion of provisions (notes 9)	**174**	169	**348**	338
Share-based compensation (note 11)	**147**	258	**238**	509
Deferred customer obligation amortization	**(194)**	-	**(388)**	-
Amortization of flow-through common shares premium (note 6)	**-**	-	**(323)**	-
Foreign currency (gain) loss on cash	**-**	9	**(41)**	18
Provision expenditures (notes 9a & 9b)	**(310)**	(41)	**(782)**	(134)
Change in operating non-cash working capital (note 12)	**(264)**	5,364	**(1,192)**	2,441
Cash inflow (outflow) from operating activities	**1,223**	6,280	**(499)**	4,835
Financing Activities				
Debt (repayments) borrowings (note 8)	**(104)**		**3,297**	-
Change in financing non-cash working capital (note 12)	**-**	-	**(20)**	-
Cash (outflow) inflow from financing activities	**(104)**	-	**3,277**	-
Investing Activities				
Development & exploration expenditures (notes 5 & 6)	**(180)**	(8,235)	**(2,677)**	(17,058)
Proceeds on property dispositions	**-**	-	**-**	17,838
Restricted cash release	**-**	1,308	**-**	1,308
Change in investing non-cash working capital (note 12)	**(939)**	(948)	**(4,483)**	(1,708)
Cash (outflow) inflow from investing activities	**(1,119)**	(7,875)	**(7,160)**	380
Change in cash, during the period	**-**	(1,595)	**(4,382)**	5,215
Cash, beginning of period	**-**	21,622	**4,341**	14,821
Cash, foreign currency gain (loss)	**-**	(50)	**41**	(59)
Cash, end of period	**$ -**	$ 19,977	**$ -**	$ 19,977

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, 2018 and 2017

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, 2018 and 2017 (these “Financial Statements”) include the accounts of Chinook Energy Inc. and two directly held wholly-owned subsidiaries (collectively, including all subsidiaries, “Chinook” or the “Company”): 1542991 Alberta Ltd. and Storm Ventures International (BVI) Limited).

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, 2017 and 2016 (the “Audited Financial Statements”), except the policies for Financial Instruments and Revenue Recognition. These policies were respectively replaced upon the January 1, 2018, adoptions of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” as detailed in note 3 to these Financial Statements. The reader is advised that these Financial Statements 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.

Certain balances in the comparative periods have been reclassified to conform to the current periods’ presentation.

These Financial Statements were approved and authorized for issuance by Chinook’s Board of Directors on August 9, 2018.

3. Adopted New Accounting Standards

The IFRS 9 and IFRS 15 accounting standards were adopted on January 1, 2018 using the retrospective and cumulative effect methods, respectively. The adoption of these standards did not have a material impact on these Financial Statements.

Financial Instruments

IFRS 9 contains six principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss (“FVTPL”). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial assets are initially measured at fair value. On initial recognition, Chinook classifies its financial assets as subsequently measured at either amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

i) The asset is held with the objective to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at their fair values with changes in fair value recognized in the condensed consolidated statements of operations and comprehensive (loss) income.

Accounts receivable continued to be subsequently measured at amortized cost. There was no change to the Company's classification of accounts payable or debt, which are classified as other financial liabilities and are subsequently measured at amortized cost. Cash and commodity price contracts are subsequently measured at their FVTPL.

Chinook uses the expected credit loss model for calculating impairment and recognizes expected credit losses as a loss allowance for assets measured at amortized cost. Chinook's accounts receivable are typically short-term with payments received within a six to four month period and they do not have a significant financing component. As a result, Chinook recognizes an amount equal to the lifetime expected credit losses based on its historical experience and including forward-looking information. The carrying amount of these assets in the condensed consolidated statements of financial position is net of any loss allowance.

Revenue Recognition

IFRS 15 "Revenue from Contracts with Customers", specifies how and when the Company will recognize revenue as well as requiring more informative, relevant disclosures. The new standard provides a single, principles-based five-step analysis of transactions to determine the nature of an entity's obligation to perform and whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

Chinook's revenues are from the following major sources:

- Revenue from its production of petroleum liquids and natural gas;
- Fees charged to third parties for product processing and distribution services provided at facilities or pipelines where Chinook has an ownership interest; and
- Revenue from a take or pay contract where production is delivered by a third party.

Revenues from the sale of petroleum liquids, natural gas and a take or pay contract is measured based on the consideration specified in contracts with customers. Chinook recognizes these types of revenues when it transfers control of the product to the buyer and collection is reasonably assured. This is generally at the point in time the purchaser obtains legal title to the product which is when it is physically transferred to an agreed upon delivery point, often a pipeline or other terminal point. Revenues from product processing and distribution services are recognized as these services are provided.

The nature of each of its performance obligations, including roles of third parties and partners, are evaluated to determine if Chinook acts as the principal or as an agent. In making this evaluation, management considers if Chinook obtains control of the product delivered, which is indicated by Chinook having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If Chinook acts as the principal in a transaction, revenue is recognized on a gross-basis. If Chinook acts in the capacity of an agent in a transaction, then the revenue only reflects the fee, if any, realized by it from the transaction.

4. New Accounting Standards Not Yet Adopted

In January 2016, the IASB issued IFRS 16 "Leases". The standard requires entities to recognize lease assets and lease obligations on the statements of financial position. For lessees, there will be a single lease accounting model for all leases. There will no longer be a classification test between finance and operating leases. The lessee will recognize a Right of Use ("ROU") asset and a lease liability, and the lease will be treated as an asset on a financed basis. There will be an optional exemption from the above for short term leases and leases of low value assets, defined at 12 months or less and an option for portfolio accounting on leases that have similar criteria. From the lessor's perspective, there will still be a dual lease accounting model that follows the criteria set out in IAS 17. As of January 1, 2019, Chinook will be required to adopt this standard. Chinook is currently compiling and reviewing a complete list of contracts to assess the applicability of the new leasing standard. The extent of the impact of the adoption of this standard has not yet been determined.

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

The following table reconciles Chinook's D&P Assets for the six months ended June 30, 2018:

Cost of Assets	
Balance, beginning of period	**$ 281,904**
Capital expenditures	**253**
Balance, end of period	**$ 282,157**
Accumulated Depletion & Depreciation	
Balance, beginning of period	**$ (171,826)**
Depletion & depreciation	**(4,774)**
Balance, end of period	**$ (176,600)**
Net book values	
Balance as at December 31, 2017	**$ 110,078**
Balance as at June 30, 2018	**$ 105,557**

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

The following table reconciles Chinook's E&E Assets for the six months ended June 30, 2018:

Cost of Assets	
Balance, beginning of period	**$ 30,529**
Capital expenditures	**2,424**
Decommissioning asset additions (note 9a)	**20**
Balance, end of period	**$ 32,973**
Accumulated Amortization	
Balance, beginning of period	**$ (19,240)**
Amortization	**(850)**
Balance, end of period	**$ (20,090)**
Net book values	
Balance as at December 31, 2017	**$ 11,289**
Balance as at June 30, 2018	**$ 12,883**

Capitalized general and administrative expenses

Chinook capitalized $0.2 million of direct general and administrative costs related to its exploration activity during the six months ended June 30, 2018 ($0.4 million of such costs were capitalized to D&P Assets during the six months ended June 30, 2017).

Flow-Through Common Shares Premium

For the six months ended June 30, 2018, Chinook incurred the required $2.0 million of qualifying Canadian exploration expenditures pursuant to the December 11, 2017 issuance of 6,450,000 common shares on a flow-through basis. As a result, for the six months ended June 30, 2018, Chinook amortized the associated $0.3 million flow-through common shares premium.

Exploration & Evaluation Expense

During the three and six months ended June 30, 2018, pre-licensing evaluation and exploratory lease rental costs of $nil million and $0.1 million, respectively, were expensed through the line item "exploration and evaluation" on the condensed consolidated statements of operations and comprehensive (loss) income ($0.1 million and $0.2 million for three and six months ended June 30, 2017, respectively).

7. Fair Value of Commodity Price Contract

As at June 30, 2018, Chinook had the following commodity price contracts:

Remaining Contractual Term	Notional Volumes	Index and Company's Received Price
Natural gas swap		
July 1, 2018 to March 31, 2019	6,000 mmbtu/d	Chicago City Gate Monthly US$2.68/mmbtu
Natural gas collars		
April 1, 2019 to June 30, 2019	6,000 mmbtu/d	NYMEX (1) US$1.935/mmbtu to US$3.16/mmbtu
July 1, 2019 to September 30, 2019	6,000 mmbtu/d	NYMEX (1) US$2.00/mmbtu to US$3.21/mmbtu
Natural gas differential swaps		
April 1, 2019 to June 30, 2019	6,000 mmbtu/d	Price at Chicago = NYMEX (1) less US$0.435/mmbtu
July 1, 2019 to September 30, 2019	6,000 mmbtu/d	Price at Chicago = NYMEX (1) less US$0.41/mmbtu
Crude oil swaps		
April 1, 2019 to June 30, 2019	120 bbl/d	WTI (2) CAD$84.20/bbl
July 1, 2019 to September 30, 2019	120 bbl/d	WTI (2) CAD$84.00/bbl

(1) NYMEX is the abbreviation for the New York Mercantile Exchange.
(2) WTI is the abbreviation for West Texas Intermediate.

At June 30, 2018, these commodity price contracts had a net fair value liability of $0.6 million as reported through the line items fair value of commodity price contracts in current and long-term liabilities, as appropriate, on the condensed consolidated statements of financial position. The fair value of each contract was mainly 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.

8. Debt

During the three and six months ended June 30, 2018, Chinook amended its demand credit facility agreement with a Canadian chartered bank as a result of the most recent semi-annual review resulting in an availability of $10.0 million as at June 30, 2018 (the "Demand Credit Facility"). At December 31, 2017, the availability was $18.0 million. The Demand Credit Facility's next semi-annual review is scheduled for on or before October 31, 2018. As at June 30, 2018, Chinook had debt borrowings of $3.3 million and outstanding letters of credit of $0.8 million, as secured by its lender, which reduced the available Demand Credit Facility credit to $5.9 million (at December 31, 2017 – drawings of $nil, outstanding letters of credit of $0.8 million and available credit of $17.2 million). The effective interest rate on draws against the Demand Credit Facility for the three and six months ended June 30, 2018 was 3.95%.

All borrowings under the Demand Credit Facility have been classified as a current liability, as the lender can request repayment at any time of all outstanding drawn amounts. Changes in the availability in the Demand Credit Facility are possible, from one semi-annual review to the next, with draws in excess of availability becoming immediately payable. Borrowings incur interest at the prime rate plus an applicable margin and are collateralized by floating charges and security interests over all of Chinook's present and future properties and other assets. In addition, the Demand Credit Facility includes operating and financial restrictions on Chinook that include restrictions on paying dividends or making other distributions in respect of Chinook's securities.

The Demand Credit Facility has financial covenants requiring that at each reporting period the adjusted working capital equals or exceeds a one-to-one ratio and that net debt to cash flows does not exceed a three-to-one ratio. For the purposes of these covenants:

- Adjusted working capital is defined as working capital excluding both the current portion of commodity price contracts and debt but including the undrawn portion of the Demand Credit Facility, and
- Net debt is defined as working capital but excluding the current portion of commodity price contracts and
- Cash flows are determined over the last 12 months and are defined as cash flows from operating activities before changes in non-cash working capital and excluding other one-time costs.

As at the end of any month, if the greater of Chinook's net debt or the Demand Credit Facility draws are either up to $6.0 million or in excess of $6.0 million, within 60 days of the end of any such month, the terms of the Demand Credit Facility require that Chinook enter into commodity price contracts covering no less than 30% or 50%, respectively, of its forecasted twelve month combined production volumes.

As at June 30, 2018, Chinook was in compliance with the foregoing financial covenants and other requirements under the Demand Credit Facility except that it had entered into commodity price contracts covering only 28%, relative to the 30% required minimum, of its forecasted twelve month combined production volumes. Chinook has 60 days from June 30, 2018, to rectify this difference.

9. Provisions

	June 30 2018	December 31 2017
Decommissioning obligations (a)	**$ 31,142**	$ 31,125
Onerous contract and indemnifications (b)	**1,726**	2,157
Total provisions	**$ 32,868**	$ 33,282

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

	June 30 2018	December 31 2017
Current portion	**$ 1,318**	$ 1,655
Long term portion	**31,550**	31,627
Total provisions	**$ 32,868**	$ 33,282

a) Decommissioning obligations

The following table reconciles Chinook's decommissioning obligations for the six months ended June 30, 2018:

Balance, beginning of period	**$ 31,125**
Decommissioning obligation additions (note 6)	**20**
Expenditures	**(343)**
Accretion expense	**340**
Balance, end of period	**$ 31,142**

b) Onerous contract and indemnifications

The following table reconciles Chinook's onerous contract and indemnifications' provision for the six months ended June 30, 2018:

Balance, beginning of period	**$ 2,157**
Expenditures	**(439)**
Accretion expense	**8**
Balance, end of period	**$ 1,726**

10. Revenues

Chinooks sells its production and take-or-pay contract deliveries pursuant to variable price and volume contracts. Petroleum and natural gas production is sold under various contracts with terms of up to one year. Take-or-pay is sold pursuant to a contract with a term through to March 2021. Both petroleum & natural gas and take-or-pay revenues are normally collected in the month following revenue recognition. The transaction price for the take-or-pay and production contracts is based upon benchmark pricing for petroleum or natural gas commodities adjusted for quality, location, transportation or other factors. Under these types of contracts, Chinook is required to deliver a variable volume of petroleum liquids or natural gas to the purchaser. The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to Chinook's efforts to transfer production, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. Petroleum and natural gas revenues are recognized when Chinook gives up control of the unit of production at the delivery point agreed to under the terms of the contracts. As a result, none of the variable revenue is considered constrained.

Processing and distribution services are generally sold under multi-year contracts at fixed fees that vary by volume. Revenues from these contracts are typically collected within six months from billing.

Chinook's production revenue was primarily generated in its Birley/Umbach area located in British Columbia. Chinook's customers are petroleum and natural gas marketers and third party producers in the petroleum and natural gas business and are subject to normal credit risks. Concentration of credit risk is mitigated by marketing production to numerous petroleum and natural gas marketers under customary industry sale and payment terms. Chinook routinely assesses the financial strength of its counterparties.

The following table presents Chinook's total revenues disaggregated by source:

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Natural gas	**$ 2,840**	$ 4,805	**$ 6,123**	$ 9,196
Petroleum liquids	**4,287**	1,889	**6,862**	4,273
Petroleum & natural gas revenues	**7,127**	6,694	**12,985**	13,469
Processing & gathering revenues	**241**	208	**529**	468
Take-or-pay contract revenue	**985**	364	**1,988**	900
Total revenues	**$ 8,353**	$ 7,266	**$ 15,502**	$ 14,837

Included in accounts receivable at June 30, 2018 is $2.4 million of accrued and billed revenues, an increase from December 31, 2017 of $1.2 million. Accrued sales revenues as at March 31, 2018 and December 31, 2017, were collected during the three and six months ended June 30, 2018, respectively, without significant impact to the current periods reported revenues.

11. Long-term Incentive Plans

Chinook grants share options, restricted share awards and performance share awards (collectively, "Share-Based Awards") under its long-term incentive plans to employees, officers, directors, consultants and other service providers. The maximum number of common shares issuable from treasury pursuant to all Share-Based Awards may not exceed 10% of Chinook's issued and outstanding common shares.

For the three and six months ended June 30, 2018, share-based compensation expense related to long-term incentive plans was $0.1 million and $0.2 million, respectively (six months ended June 30, 2017 - $0.3 million and $0.5 million, respectively).

Share Option Plan

Outstanding options granted pursuant to Chinook's share option plan vest evenly over a period of six years and expire five years after the grant date. The following table reconciles Chinook's outstanding options for the six months ended June 30, 2018:

	Number of Options (thousands)	**Weighted Average Exercise Price ($/option)**
Balance, beginning of period	**10,277**	**$ 0.71**
Granted	6,285	0.20
Cancelled	(2,226)	(0.61)
Expired	(430)	(1.19)
Balance, end of period	**13,906**	**$ 0.48**
Exercisable	**4,490**	**$ 0.93**

The table below summarizes the outstanding share options, their respective weighted average exercise prices and remaining life in addition to the number of exercisable options, their respective weighted average prices and remaining life at June 30, 2018:

	Outstanding Options				Outstanding Exercisable Options			
Range of Exercise Prices ($/option)	**Options Outstanding (thousands)**		**Weighted Average Exercise Prices ($/option)**	**Weighted Average Remaining Life (years)**	**Options Outstanding (thousands)**		**Weighted Average Exercise Prices ($/option)**	**Weighted Average Remaining Life (years)**
$0.20 - $0.29	5,933	$	0.20	4.6	-	$	-	-
$0.30 - $0.46	4,530	$	0.38	3.8	1,510	$	0.38	3.8
$0.47 - $2.46	3,443	$	1.11	1.9	2,980	$	1.20	1.8
	13,906	**$**	**0.48**	**3.7**	**4,490**	**$**	**0.93**	**2.4**

In addition to a forfeiture rate of approximately 13%, which was used in the calculation of share-based compensation, the following factors were used in the Black-Scholes pricing model for the determination of the fair value of options granted during the six months ended June 30, 2018:

Expected average life (years) (1)	**3 to 5**
Weighted average risk-free interest rate (%)	**2.0**
Weighted average volatility factor (%) (2)	**59**
Share option exercise price ($/option)	**0.20**

(1) The expected average life of the share option is based on time to vest plus a historical calculation.

(2) The volatility factor is based on historical price volatility of Chinook's common shares over the expected life of the option.

The determined weighted average fair value for options granted during the six months ended June 30, 2018 was $0.09 per option.

Restricted Share Award Plan

The following table reconciles Chinook's outstanding restricted share awards for the six months ended June 30, 2018:

	Number of Restricted Share Awards (thousands)
Balance, beginning of period	**200**
Granted	191
Distributed	(40)
Cancelled	(194)
Balance, end of period	**157**

The fair value determined for restricted share awards granted during the six months ended June 30, 2018 was $0.20 per award excluding estimated forfeitures. This fair value was based on the market price of Chinook's common shares on the date the restricted awards were granted.

12. Other Supplementary Information

Changes in non-cash working capital

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Cash provided by (used for):				
Accounts receivable	**$ 510**	$ 4,514	**$ (105)**	$ 3,372
Prepaids & deposits	**(295)**	2,501	**(229)**	1,629
Accounts payable, accrued liabilities & other	**(1,418)**	(2,599)	**(5,361)**	(4,268)
	$ (1,203)	$ 4,416	**$ (5,695)**	$ 733
Cash used for:				
Operating activities	**$ (264)**	$ 5,364	**$ (1,192)**	$ 2,441
Investing activities	**(939)**	(948)	**(4,483)**	(1,708)
Financing activities	**-**	-	**(20)**	-
	$ (1,203)	$ 4,416	**$ (5,695)**	$ 733

Cash interest and financing fees paid

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Cash interest & financing fees paid	**$ 51**	$ 23	**$ 51**	$ 31

Per share amounts

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Weighted average shares outstanding - basic (thousands)	**223,603**	216,598	**223,584**	216,521
Dilutive impact of restricted and performance awards (thousands)	**-**	-	**-**	521
Weighted average shares outstanding - diluted (thousands)	**223,603**	216,598	**223,584**	217,042
Net (loss) income	**$ (2,471)**	$ (2,253)	**$ (4,569)**	$ 8,169
Net (loss) income per share - basic & diluted ($/share)	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ 0.04

For the three and six months ended June 30, 2018 and the three months ended June 30, 2017, because Chinook reported a net loss, the effect of outstanding 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, 2017, the restricted and performance share awards were dilutive because the weighted average number of such awards exceeded the deemed repurchased shares calculated from unamortized share-based compensation.