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)		March 31 2019		December 31 2018
Assets				
Current				
Accounts receivable	**$**	**2,667**	$	3,386
Prepaids & deposits		**1,244**		2,528
Fair value of commodity price contracts (note 4)		**78**		424
		3,989		6,338
Development & production assets (note 5)		**81,056**		82,930
Exploration & evaluation assets (note 6)		**11,734**		12,148
Right-of-use assets (notes 3 and 7a)		**243**		-
	$	**97,022**	$	101,416
Liabilities & Shareholders' Equity				
Current				
Accounts payable & accrued liabilities	**$**	**4,055**	$	5,547
Debt (note 8)		**2,976**		2,361
Fair value of commodity price contracts (note 4)		**330**		659
Provisions (note 9)		**183**		575
Deferred customer obligation		**777**		777
Lease liabilities (notes 3 and 7b)		**226**		-
		8,547		9,919
Provisions (note 9)		**32,662**		33,146
Deferred customer obligation		**454**		648
Shareholders' Equity				
Share capital		**786,519**		786,507
Contributed surplus		**20,468**		20,328
Deficit		**(751,628)**		(749,132)
		55,359		57,703
	$	**97,022**	$	101,416

Commitments and guarantees (notes 9b & 13)

See accompanying notes to the condensed consolidated financial statements

Condensed Consolidated Statements of Operations and Comprehensive Loss

(unaudited)

Three months ended March 31	2019	2018
(in thousands of Canadian dollars, except per share amounts)		
Revenues		
Petroleum & natural gas revenues (note 10)	$ 5,001	$ 5,858
Royalty expense	(10)	(43)
Petroleum & natural gas revenues, net of royalties	4,991	5,815
Other revenues (note 10)	1,815	1,291
Petroleum, natural gas & other revenues, net of royalties	6,806	7,106
Loss on commodity price contracts (note 4)	(477)	(144)
Total revenues, net of royalties and commodity price contracts	6,329	6,962
Expenses		
Production & operating	3,346	4,011
Take-or-pay expense	1,899	1,155
General & administrative	880	1,171
Other losses	26	46
Depletion, depreciation & amortization (notes 5, 6 & 7a)	2,498	2,220
Net finance costs (note 11)	218	162
Deferred customer obligation amortization	(194)	(194)
Share-based compensation (note 12)	152	91
Severance costs	-	721
Amortization of flow-through common shares premium	-	(323)
Total expenses	8,825	9,060
Net & comprehensive loss	$ (2,496)	$ (2,098)
Net loss per share, basic and diluted (note 14)	$ (0.01)	$ (0.01)

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, 2018	**223,605**	**$**	**786,507**	**$**	**20,328**	**$**	**(749,132)**	**$**	**57,703**
Settlement of restricted share awards	50		12		(12)		-		-
Share-based compensation (note 12)	-		-		152		-		152
Net loss	-		-		-		(2,496)		(2,496)
Balance as at March 31, 2019	**223,655**	**$**	**786,519**	**$**	**20,468**	**$**	**(751,628)**	**$**	**55,359**
Balance as at December 31, 2017	**223,565**	**$**	**786,492**	**$**	**19,835**	**$**	**(721,478)**	**$**	**84,849**
Share-based compensation (note 12)	-		-		91		-		91
Net loss	-		-		-		(2,098)		(2,098)
Balance as at March 31, 2018	**223,565**	**$**	**786,492**	**$**	**19,926**	**$**	**(723,576)**	**$**	**82,842**

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(unaudited)

Three months ended March 31	**2019**	2018
(in thousands of Canadian dollars)		
Operating Activities		
Net loss	**$ (2,496)**	$ (2,098)
Add (deduct):		
Unrealized loss (gain) on commodity price contracts (note 4)	**17**	(151)
Depletion, depreciation & amortization (notes 5, 6 & 7a)	**2,498**	2,220
Accretion of provisions and interest on lease liabilities (note 11)	**180**	174
Deferred customer obligation amortization	**(194)**	(194)
Share-based compensation (note 12)	**152**	91
Amortization of flow-through common shares premium	**-**	(323)
Foreign currency gain on cash	**-**	(41)
Provision expenditures (notes 9a & 9b)	**(659)**	(472)
Change in operating non-cash working capital (note 14)	**345**	(928)
Cash outflow from operating activities	**(157)**	(1,722)
Financing Activities		
Debt borrowings	**615**	3,401
Lease payments (note 3 and 7b)	**(380)**	-
Change in financing non-cash working capital (note 14)	**-**	(20)
Cash inflow from financing activities	**235**	3,381
Investing Activities		
Development & exploration expenditures	**-**	(2,497)
Change in investing non-cash working capital (note 14)	**(78)**	(3,544)
Cash outflow from investing activities	**(78)**	(6,041)
Change in cash during the period	**-**	(4,382)
Cash, beginning of period	**-**	4,341
Cash, foreign currency gain	**-**	41
Cash, end of period	**$ -**	$ -

See accompanying notes to the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

(unaudited)

For the three months ended March 31, 2019 and 2018

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 months ended March 31, 2019 and 2018 (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 ("Storm BVI").

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, 2018 and 2017 (the "Audited Financial Statements"), except the policy for Leases. Chinook has adopted IFRS 16 "Leases" effective January 1, 2019 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 period have been reclassified to conform to the current period's presentation.

These Financial Statements were approved and authorized for issuance by Chinook's Board of Directors on May 9, 2019.

3. Adopted New Accounting Standard

IFRS 16, Leases ("IFRS 16") was adopted on January 1, 2019, using the modified retrospective approach. This approach does not require restatement of prior period financial information as it applies the standard prospectively. This standard replaced *IAS 17, Leases* ("IAS 17"). Under IAS 17, operating lease expenditures were expensed on a straight line basis over the lease term whereas under IFRS 16, there is an increased focus on control of the underlying asset. Mineral licenses and surface leases that allow for the extraction of petroleum and natural gas are not within the scope of IFRS 16.

Right-of-use asset

A lease is a contract that transfers substantially all the risks and rewards incidental to ownership of an identified asset. Chinook initially recognizes a lease at its commencement date which is when an identified asset is made available for use. Right-of-use assets are measured at the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date and any initial direct or estimated restoration costs. A right-of-use asset is then depreciated on a straight-line basis over the shorter of the asset's useful life or the lease term. After the commencement date, Chinook measures its right-of-use assets by applying the net carrying value of these assets to another similar asset grouping where a revaluation model is already applied.

Lease liabilities

Lease liabilities include the present value of future fixed payments (including in-substance fixed payments), less any lease incentives receivable, and the exercise price of a purchase option if it is reasonably certain to be exercised. Future fixed lease payments are discounted using Chinook's incremental borrowing rate if the rate implicit in the lease is not readily determinable. The term of each lease includes its non-cancellable period. The term can also include periods covered by an option to extend the lease if Chinook is reasonably certain to exercise that option. After the commencement date, Chinook continually measures its lease liabilities to reflect changes in lease payments, discount rates or the leases' remaining term with an offsetting adjustment to right-of-use assets.

Each lease payment is comprised of both a financing and principal component. Financing costs are charged to the consolidated statements of operations and comprehensive loss over each lease's term. Lease payments are applied against lease liabilities using the effective interest method.

Short-term leases with an initial lease term of less than twelve months are evaluated by class of the underlying asset whereas lease payments for low-value assets are evaluated on a lease-by-lease basis. Short-term and low-value leases can be accounted for as either leases or expensed.

Adoption of IFRS 16

On adoption of IFRS 16, right-of-use assets were initially measured at the amount equal to the lease liabilities but as adjusted by the amount of the prepaids & deposits relating to leases recognized in the statement of financial position immediately before the date of adoption. Chinook also relied on a practical expedient that its assessment of its Calgary office space lease was onerous immediately before the date of IFRS 16 adoption as an alternative to performing an impairment review. By choosing this practical expedient, Chinook also decreased its Calgary office space right-of-use asset on adoption of IFRS 16 by the amount of the onerous contract provision recognized as at December 31, 2018 in the consolidated statements of financial position. Chinook measured the present value of its lease liabilities on adoption of IFRS 16 using a discount rate of 6% as determined from its incremental borrowing rate. The adjustments to the consolidated statements of financial position as at December 31, 2018 resulting from the January 1, 2019 adoption of IFRS 16 are as follows:

	As at December 31 2018	Adjustments	As at January 1 2019
Prepaids & deposits	$ 2,528	$ (244)	**$ 2,284**
Right-of-use assets	-	453	**453**
Lease liabilities	-	(599)	**(599)**
Provisions	(33,721)	390	**(33,331)**
Total	$ (31,193)	$ -	**$ (31,193)**

Chinook reported its remaining operating lease commitments of $0.8 million as at December 31, 2018 whereas its lease liabilities on adoption of IFRS 16 are $0.6 million. The difference between these two measures was caused by excluding non-lease components from lease liabilities but as partially offset by a portion of future lease payments previously reported as onerous.

4. **Commodity Price Contracts**

As at March 31, 2019, Chinook had the following commodity price contracts:

Contractual Term	Notional Volumes	Index and Company's Received Price
Natural gas swap		
October 1, 2019 to December 31, 2019	3,000 GJ/d	Westcoast Station 2 CAD$1.645/GJ
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
October 1, 2019 to December 31, 2019	3,000 mmbtu/d	NYMEX [1] US$2.25/mmbtu to US$3.68/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
October 1, 2019 to December 31, 2019	3,000 mmbtu/d	Price at Chicago = NYMEX [1] less US$0.125/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 March 31, 2019, the crude oil swaps had a combined fair value asset of $0.1 million whereas the natural gas contracts had a combined fair value liability of $0.3 million as reported through the line items fair value of commodity price contracts in current assets and liabilities, respectively, 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's loss on commodity price contracts was comprised of:

Three months ended March 31		**2019**		2018
Realized loss on commodity price contract	**$**	**(460)**	$	(295)
Unrealized (loss) gain on commodity price contracts		**(17)**		151
Loss on commodity price contracts	**$**	**(477)**	$	(144)

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

The following table reconciles Chinook's D&P Assets for the three months ended March 31, 2019:

Cost of Assets		
Balance, beginning and ending of period	**$**	**284,341**
Accumulated Depletion & Depreciation		
Balance, beginning of period	**$**	**(201,411)**
Depletion & depreciation		**(1,874)**
Balance, end of period	**$**	**(203,285)**
Net book values		
Balance as at December 31, 2018	**$**	**82,930**
Balance as at March 31, 2019	**$**	**81,056**

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

The following table reconciles Chinook's E&E Assets for the three months ended March 31, 2019:

Cost of Assets		
Balance, beginning and ending of period	**$**	**32,818**
Accumulated Amortization		
Balance, beginning of period	**$**	**(20,670)**
Amortization		**(414)**
Balance, end of period	**$**	**(21,084)**
Net book values		
Balance as at December 31, 2018	**$**	**12,148**
Balance as at March 31, 2019	**$**	**11,734**

Capitalized general and administrative expenses

Chinook capitalized $nil and $0.2 million of direct general and administrative costs related to its exploration activity during the three months ended March 31, 2019 and 2018, respectively.

Exploration & Evaluation Expense

During the three months ended March 31, 2019 and 2018, pre-licensing evaluation and exploratory lease rental costs of $nil and $0.1 million, respectively, were expensed as included in the line item "other losses" on the condensed consolidated statements of operations and comprehensive loss.

7. Leases

Chinook's portfolio of leases mostly consists of its Calgary head office space which expires in June 2019.

a) Right-of-use assets

A reconciliation of Chinook's right-of-use assets for the three months ended March 31, 2019 is as follows:

		Total
Balance, January 1, 2019 (note 3)	**$**	**453**
Depreciation		**(210)**
Balance, end of period	**$**	**243**

b) Lease liabilities

A reconciliation of Chinook's lease liabilities for the three months ended March 31, 2019 is as follows:

Balance, January 1, 2019 (note 3)	**$**	**599**
Interest expense (note 11)		**7**
Lease payments		**(380)**
Balance, end of period	**$**	**226**

As at March 31, 2019, Chinook measured the present value of its lease liabilities using a discount rate of 6% as determined from its incremental borrowing rate. Lease liabilities as at March 31, 2019, are expected to be paid within the next year.

8. Debt

Chinook's amended demand credit facility agreement with a Canadian chartered bank has an availability of $10.0 million as at March 31, 2019 and December 31, 2018 (the "Demand Credit Facility"). The Demand Credit Facility's next scheduled semi-annual review is May 2019. At March 31, 2019, Chinook had debt borrowings of $3.0 million and outstanding letters of credit of $0.9 million (note 13), as secured by its lender, which reduced the available credit to $6.1 million (at December 31, 2018 – drawings of $2.4 million, outstanding letters of credit of $0.9 million and available credit of $6.7 million). The annualized effective interest rate on draws against the Demand Credit Facility for the three months ended March 31, 2019 was 4.5% (nil% for the three months ended March 31, 2018).

All borrowings under the Demand Credit Facility have been classified as a current liability, as the lender can request repayment of all outstanding drawn amounts at any time. Changes in the availability of 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,
- 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 less lease payments.

At the end of any fiscal quarter, 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 March 31, 2019, Chinook was in compliance with the foregoing financial covenants and other requirements under the Demand Credit Facility. Chinook currently has entered into commodity price contracts covering only 28%, relative to the 30% required minimum, of its forecasted twelve month combined production volumes. Chinook has until May 30, 2019, to rectify this difference.

9. Provisions

As described in note 3, Chinook relied on a practical expedient resulting in the December 31, 2018, onerous contract provision recognized in the consolidated statements of financial position decreasing its office space right-of-use asset on adoption of IFRS 16. The following table details the resulting change in the provisions' classification on adoption of IFRS 16:

	As at December 31 2018	Adjustments	As at January 1 2019
Current portion	$ 575	$ (390)	**$ 185**
Long term portion	33,146	-	**33,146**
Total	$ 33,721	$ (390)	**$ 33,331**

Chinook's remaining provisions after adopting IFRS 16 consisted of both decommissioning obligations and indemnifications as detailed in the following table:

		March 31		January 1
		2019		2019
Decommissioning obligations (a)	**$**	**31,937**	$	32,417
Indemnifications (b)		**908**		914
Total provisions	**$**	**32,845**	$	33,331

As classified as follows:

		March 31		January 1
		2019		2019
Current portion	**$**	**183**	$	185
Long term portion		**32,662**		33,146
Total provisions	**$**	**32,845**	$	33,331

a) Decommissioning obligations

The total future decommissioning obligations were estimated by management based on Chinook's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. At March 31, 2019, Chinook has estimated the net present value of its total decommissioning obligation based on a total future undiscounted liability of $32.8 million ($33.3 million - December 31, 2018). At March 31, 2019 and December 31, 2018, management estimates that these payments are expected to be made over the next 23 years. At March 31, 2019 and December 31, 2018, a risk free rate of 2.1% and an inflation rate of 2.0% were used to calculate the present values of the decommissioning obligations.

The following table reconciles Chinook's decommissioning obligations for the three months ended March 31, 2019:

Balance, beginning of period	**$**	**32,417**
Expenditures		**(653)**
Accretion expense (note 11)		**173**
Balance, end of period	**$**	**31,937**

b) Indemnifications

The following table reconciles Chinook's indemnifications' provision for the three months ended March 31, 2019:

Balance, January 1, 2019	**$**	**914**
Expenditures		**(6)**
Balance, end of period	**$**	**908**

Chinook is involved in litigation and claims arising in the normal course of operations and from indemnifications provided to the buyer of its Tunisian operations in 2014. At March 31, 2019 and December 31, 2018, claims from a former Tunisian service provider and the Tunisian Tax Authority totaled $15 million. Storm BVI has provided the buyer indemnifications for claims of this nature which are guaranteed by Chinook. While the outcome of the remaining claims in excess of the estimated probable future disbursements for these indemnifications, including professional costs, of $0.9 million is not known with certainty, management is of the view that such claims have a remote probability of success.

10. Revenues

Chinook sells its petroleum and natural gas production and take-or-pay contract deliveries pursuant to fixed or variable price 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. For 20 days during the three months ended March 31, 2019, Chinook also reported take-or-pay revenues for sales of third party acquired volumes which was necessary to meet its natural gas production performance obligations. Take-or-pay, petroleum and natural gas revenues are normally collected in the month following revenue recognition. The transaction prices for the take-or-pay and variable price production contracts are 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 three months from billing.

Chinook's production revenue was primarily generated by its Birley/Umbach area located in British Columbia.

The following table presents Chinook's total revenues disaggregated by source for the three months ended March 31, 2019 and 2018:

Three months ended March 31	**2019**	2018
Petroleum & natural gas revenues		
Natural gas liquids	**$ 2,047**	$ 2,458
Natural gas	**2,908**	3,283
Crude oil	**46**	117
Petroleum & natural gas revenues	**5,001**	5,858
Other revenues		
Processing & gathering revenues	**270**	288
Take-or-pay revenues	**1,545**	1,003
Other revenues	**1,815**	1,291
Total revenues	**$ 6,816**	$ 7,149

Included in accounts receivable at March 31, 2019 is $2.3 million of accrued and billed revenues ($2.8 million - December 31, 2018). Changes in accrued production revenues result from changes in Chinook's production and transaction prices. There were no significant revenue adjustments from prior periods reflected in the revenues reported for the three months ended March 31, 2019 and 2018.

As at March 31, 2019, Chinook did not have any contracts for the sale of its future production beyond a one year term. However, it contractually does provide pipeline transportation services to a third party through to October 2020 for a minimum of $0.6 million per year. Chinook also will provide pipeline transportation services to another third party for a minimum of $1.6 million per year for at least a two year period commencing at the earlier of that party's tie-in to the Company's pipeline, at their cost, or October 2020.

11. Net Finance costs

Three months ended March 31	**2019**	2018
Accretion of provisions (note 9a)	**$ 173**	$ 174
Interest on bank debt	**35**	-
Interest on lease liabilities (notes 3 and 7b)	**7**	-
Other financing costs (income)	**3**	(12)
Net finance costs	**$ 218**	$ 162

12. Long-term Incentive Plans

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

For the three months ended March 31, 2019 and 2018, share-based compensation expense resulting from Chinook's granted Share-Based Awards was $0.2 million and $0.1 million, respectively.

Share Option Plan

Outstanding options granted pursuant to Chinook's share option plan vest evenly over a period of three years and expire five years after the grant date. The following table reconciles Chinook's outstanding options for the three months ended March 31, 2019:

	Number of Options (thousands)	Weighted Average Exercise Price ($/option)
Balance, beginning of period	**13,177**	**$ 0.49**
Granted	4,560	0.14
Balance, end of period	**17,737**	**$ 0.40**
Exercisable	**6,581**	**$ 0.70**

The table below summarizes the outstanding and exercisable share options, their respective weighted average exercise prices and remaining lives at March 31, 2019:

	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)**
$0.14	4,560	$ 0.14	4.8	-	$ -	-
$0.20	5,613	$ 0.20	3.8	1,870	$ 0.20	3.8
$0.38	4,279	$ 0.38	3.0	1,426	$ 0.38	3.0
$0.54 - $2.46	3,285	$ 1.13	1.1	3,285	$ 1.13	1.1
	17,737	**$ 0.40**	**3.4**	**6,581**	**$ 0.70**	**2.3**

In addition to a forfeiture rate of approximately 14%, which was used in the measure 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 three months ended March 31, 2019:

Expected average life (years) [(1)]	**3 to 5**
Weighted average risk-free interest rate (%)	**1.9**
Weighted average volatility factor (%) [(2)]	**64 to 80**
Share option exercise price ($/option)	**0.14**

(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 three months ended March 31, 2019 was $0.08 per option.

Share Award Incentive Plan

The following table reconciles Chinook's outstanding restricted awards issued pursuant to the Share Award Incentive Plan for the three months ended March 31, 2019:

	Number of Restricted Awards (thousands)
Balance, beginning of period	**127**
Distributed	(50)
Balance, end of period	**77**

There were no outstanding performance awards as at March 31, 2019 and December 31, 2018.

13. Commitments and Guarantees

At March 31, 2019, Chinook had the following unrecognized minimum contractual payments without giving effect to any offsetting third party agreements, which are anticipated to reduce some of these amounts:

	2019	2020	2021	Thereafter	Total
Operating and transportation contracts	$ 1,262	$ 888	$ 212	$ -	**$ 2,362**

At March 31, 2019 and December 31, 2018, Chinook has guaranteed a third party's pipeline commitment through issuing letters of credit of $0.9 million (note 8) as secured by its lender. Chinook has also guaranteed indemnifications provided by Storm (BVI) to the buyer of its former Tunisian operations (see note 9b).

14. Other Supplementary Information

Changes in non-cash working capital

Three months ended March 31	**2019**	2018
Cash provided by (used for):		
Accounts receivable	**$ 719**	$ (615)
Prepaids & deposits	**1,040**	66
Accounts payable & accrued liabilities	**(1,492)**	(3,943)
	$ 267	$ (4,492)
Cash provided by (used for):		
Operating activities	**$ 345**	$ (928)
Financing activities	**-**	(20)
Investing activities	**(78)**	(3,544)
	$ 267	$ (4,492)

Chinook's opening balance for prepaids & deposits was lowered by prepaid office space rents on adoption of IFRS 16 (see note 3).

Per share amounts

Three months ended March 31	**2019**	2018
Weighted average shares outstanding - basic & diluted (thousands)	**223,642**	223,565
Net loss	**$ (2,496)**	$ (2,098)
Net loss per share - basic & diluted ($/share)	**$ (0.01)**	$ (0.01)

For the three months ended March 31, 2019 and 2018, because Chinook reported net losses, 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.