Management's Report

The management of Chinook Energy Inc. ("Chinook") is responsible for the preparation of the consolidated financial statements. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and reflect management's best estimates and judgments. Management has determined amounts in accordance with the significant accounting policies summarized in the notes to the consolidated financial statements.

Management is responsible for the integrity of the consolidated financial statements. Internal control systems are designed and maintained to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

KPMG LLP (the "Auditor") was appointed by Chinook's shareholders to express an audit opinion on the consolidated financial statements. The Auditor's examination included such tests and procedures, as the Auditor considered necessary, to provide reasonable assurance that the consolidated financial statements are presented fairly in accordance with International Financial Reporting Standards.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors exercises this responsibility through the Audit Committee, with the assistance from Reserves, Safety and Environmental Committee regarding the annual review of Chinook's petroleum and natural gas reserves. The Audit Committee, composed of independent directors, meets regularly with management and the Auditor to ensure that management's responsibilities are properly discharged, to review the consolidated financial statements and recommend that the consolidated financial statements be presented to the Board of Directors for approval. The Audit Committee also considers the independence of the Auditor and reviews its fees. The Auditor has access to the Audit Committee without the presence of management.

"signed"

Walter J. Vrataric
President & Chief Executive Officer

"signed"

Jason Dranchuk
Vice President, Finance & Chief Financial Officer

Calgary, Alberta

March 2, 2020

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Chinook Energy Inc.

Opinion

We have audited the financial statements of Chinook Energy Inc. (the "Entity"), which comprise:

- The consolidated statements of financial position as at December 31, 2019 and December 31, 2018
- The consolidated statements of operations and comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 3 in the financial statements, which indicates that the Company is forecasting a potential breach of certain debt covenants in June 2020.

As stated in note 3 in the financial statements, these events or conditions, along with other matters as set forth in note 3 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is Brad William Robertson.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 2, 2020

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)	December 31 2019	December 31 2018
Assets		
Current		
Accounts receivable (note 6)	**$ 3,568**	$ 3,386
Prepaids & deposits	**1,525**	2,528
Fair value of commodity price contracts (note 6)	**-**	424
	5,093	6,338
Development & production assets (note 7)	**50,027**	82,930
Exploration & evaluation assets (note 8)	**8,523**	12,148
Right-of-use assets (notes 5 & 9a)	**154**	-
	$ 63,797	$ 101,416
Liabilities & Shareholders' Equity		
Current		
Accounts payable & accrued liabilities	**$ 4,209**	$ 5,547
Debt (note 10)	**7,022**	2,361
Fair value of commodity price contracts (note 6)	**-**	659
Provisions (note 11)	**240**	575
Deferred customer obligation (note 7)	**648**	777
	12,119	9,919
Provisions (note 11)	**35,614**	33,146
Lease liabilities (notes 5 & 9b)	**156**	-
Deferred customer obligation (note 7)	**-**	648
Shareholders' Equity		
Share capital	**786,530**	786,507
Contributed surplus	**20,773**	20,328
Deficit	**(791,395)**	(749,132)
	15,908	57,703
	$ 63,797	$ 101,416

Subsequent events (notes 2 & 10)
Future operations (note 3)
Commitments and guarantees (note 19)

See accompanying notes to the consolidated financial statements

On behalf of the Board of Directors:

"signed"
Jill T. Angevine

Chairman of the Board of Directors and Director

"signed"
Robert J. Herdman

Chairman of the Audit Committee and Director

Consolidated Statements of Operations and Comprehensive Loss

(in thousands of Canadian dollars, except per share amounts)	Year ended December 31 2019	2018
Revenues		
Petroleum & natural gas revenues (note 13)	**$ 14,394**	$ 25,947
Royalty expense	**(103)**	(110)
Petroleum & natural gas revenues, net of royalties	**14,291**	25,837
Other revenues (note 13)	**4,510**	4,871
Petroleum, natural gas & other revenues, net of royalties	**18,801**	30,708
Loss on commodity price contracts (note 6)	**(369)**	(1,217)
Total revenues, net of royalties and losses on commodity price contracts	**18,432**	29,491
Expenses		
Production & operating	**13,001**	16,845
Take-or-pay	**4,005**	4,389
General & administrative	**2,916**	4,114
Financing (note 14)	**971**	873
Other losses	**188**	149
Impairment of development & production and exploration & evaluation assets (notes 7 & 8)	**32,193**	19,600
Depletion, depreciation & amortization (notes 7, 8 & 9a)	**8,390**	11,654
Deferred customer obligation amortization (note 7)	**(777)**	(777)
Indemnification provision change in estimate (note 11b)	**(660)**	-
Share-based compensation (note 15)	**468**	508
Severance costs	**-**	834
Gain on disposition of properties (note 16)	**-**	(721)
Amortization of flow-through common shares premium (note 12)	**-**	(323)
Total expenses	**60,695**	57,145
Net & comprehensive loss	**$ (42,263)**	$ (27,654)
Net loss per share, basic and diluted (note 20)	**$ (0.19)**	$ (0.12)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(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 15)	-	-	508	-	508
Net loss	-	-	-	(27,654)	(27,654)
Balance as at December 31, 2018	**223,605**	**$ 786,507**	**$ 20,328**	**$ (749,132)**	**$ 57,703**
Settlement of restricted share awards	77	23	(23)	-	-
Share-based compensation (note 15)	-	-	468	-	468
Net loss	-	-	-	(42,263)	(42,263)
Balance as at December 31, 2019	**223,682**	**$ 786,530**	**$ 20,773**	**$ (791,395)**	**$ 15,908**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

	Year ended December 31	
(in thousands of Canadian dollars)	**2019**	2018
Operating Activities		
Net loss	**$ (42,263)**	$ (27,654)
Add (deduct):		
Unrealized (gain) loss on commodity price contracts (note 6)	**(235)**	235
Non-cash financing and other expenses	**654**	652
Impairment of development & production and exploration & evaluation assets (notes 7 & 8)	**32,193**	19,600
Depletion, depreciation & amortization (notes 7, 8 & 9a)	**8,390**	11,654
Deferred customer obligation amortization (note 7)	**(777)**	(777)
Indemnification provision change in estimate (note 11b)	**(660)**	-
Share-based compensation (note 15)	**468**	508
Gain on disposition of properties (note 16)	**-**	(721)
Amortization of flow-through common shares premium (note 12)	**-**	(323)
Provision expenditures (notes 11a & 11b)	**(1,094)**	(1,608)
Change in operating non-cash working capital (note 20)	**(310)**	(1,311)
Cash (outflow) inflow from operating activities	**(3,634)**	255
Financing Activities		
Debt borrowings (note 10)	**4,661**	2,361
Lease payments (note 9b)	**(580)**	-
Change in financing non-cash working capital (note 20)	**-**	(20)
Cash inflow from financing activities	**4,081**	2,341
Investing Activities		
Proceeds on property disposition	**33**	-
Development, exploration and right-of-use asset expenditures (notes 7, 8 & 9a)	**(29)**	(2,890)
Change in investing non-cash working capital (note 20)	**(451)**	(4,088)
Cash outflow from investing activities	**(447)**	(6,978)
Change in cash during the year	**-**	(4,382)
Cash, beginning of year	**-**	4,341
Cash, foreign currency gain	**-**	41
Cash, end of year	**$ -**	$ -

Other supplementary information (note 20)

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

As at and for the years ended December 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 consolidated financial statements for the years ended December 31, 2019 and 2018 (these “Financial Statements”) include the accounts of Chinook Energy Inc. (“CEI”) 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”).

2. Subsequent Events

Arrangement Agreement

Effective February 22, 2020, Chinook entered into an arrangement agreement (the "Arrangement Agreement") pursuant to which Tourmaline Oil Corp. (the "Purchaser") has agreed to acquire all of the outstanding common shares of Chinook ("Chinook Shares") for cash consideration of $0.0675 per share (the “Transaction”). The Purchaser will assume Chinook’s net debt as estimated upon closing. The Transaction is subject to various closing conditions, including receipt of Court approval and Chinook shareholder approval. An annual and special meeting (the "Meeting") of Chinook shareholders has been called to consider, among other things, the Transaction. The Transaction will require the approval of 66⅔% of the votes cast by the Chinook shareholders present in person or by proxy at the Meeting. The Meeting is to be held on April 20, 2020 with closing of the Transaction anticipated to occur thereafter in late April upon satisfaction of all conditions precedent thereto. The Transaction offers a liquidity event and cash consideration to Chinook’s shareholders. Upon closing of the Transaction, the Chinook Shares will be de-listed from the Toronto Stock Exchange. No assurances can be provided that the Transaction will close.

The Arrangement Agreement provides for a non-completion fee of $1.75 million. The non-completion fee is payable to the Purchaser in the event that the Transaction is not completed or is terminated by Chinook in certain circumstances, including if Chinook enters into an agreement with respect to a superior proposal or if Chinook’s Board of Directors withdraws or modifies its recommendation with respect to the Transaction.

Demand Credit Facility Renewal

Following our execution of the Arrangement Agreement, on February 28, 2020, Chinook and its lender renewed the demand credit facility agreement with an unchanged maximum availability of $10.0 million (see note 10). This renewal waived the breaches of the *net debt to cash flow* financial covenant as at June 30, September 30 and December 31, 2019. This same financial covenant that is forecast to be in breach as at March 31, 2020, per the terms of the renewal has also been waived. The *minimum hedging requirement* was removed as a term of the demand credit facility agreement although additional reporting requirements were added and include weekly forecasted cash flows and monthly abandonment and reclamation activities in addition to requiring that the minimum liability management ratio (“LMR”) does not fall below 1.3 as determined for Chinook by the British Columbia Oil & Gas Commission (“BCOGC”). The next renewal is scheduled on May 31, 2020 but may be set at an earlier (or later) date at the sole discretion of the lender.

3. Future Operations

During the year ended December 31, 2019, Chinook drew $4.7 million of debt to finance its operating activities while there was an extended ongoing review of its demand credit facility. This extended ongoing review occurred during a very challenging environment as demonstrated by depressed natural gas pricing and continued weakness in general Canadian exploration and production industry and capital market conditions.

Although the facility renewal included waivers of past and forecasted financial covenant breaches, Chinook is further forecasting that it will be in breach of the *net debt to cash flow* financial covenant per the terms of the renewed demand credit facility agreement (see note 2) as at June 30, 2020 assuming average realized natural gas and natural gas liquids' pricing of $1.86/mcf and $41.76/bbl, respectively.

In the event that the Transaction is not completed, when the next borrowing base redetermination commences as scheduled on (or before or later) May 31, 2020, because of the aforementioned market conditions and forecasted breach, no assurance can be provided that the borrowing base will be renewed at the same or a similar amount or on the same or similar terms, nor can any assurance be provided that the lender will not call the debt as a result of these market conditions and forecasted breach or for any other reason. In such event, these material uncertainties cast significant doubt with respect to the ability of the Company to continue as a going concern.

These Financial Statements have been prepared on a going concern basis, which presumes Chinook will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These Financial Statements do not reflect adjustments and classifications of assets, liabilities, revenues and expenses which would be necessary if Chinook was unable to continue as a going concern.

4. **Basis of Presentation**

Statement of Compliance

These Financial Statements have been prepared by management using accounting principles consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). A summary of Chinook's significant IFRS accounting policies are presented in note 5.

These Financial Statements were approved and authorized for issuance by Chinook's Board of Directors on March 2, 2020.

Basis of Measurement

These Financial Statements have been prepared on the historical cost basis with the exception of certain financial instruments which are measured at fair value with the changes in their fair values recorded in net loss. The methods used to measure fair values are discussed in note 5.

Functional and Presentation Currency

These Financial Statements and the notes thereto are presented in thousands of Canadian dollars, unless otherwise noted. Chinook's functional currency is the Canadian dollar.

Management Judgments and Estimation Uncertainty

The preparation of these Financial Statements requires management judgments and estimation uncertainty that affect the reported amounts at the date of these Financial Statements of assets, liabilities, shareholders' equity, revenues and expenses. Actual results could differ from those estimated. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Judgments that management has made through applying accounting policies that have the most significant effect on the Financial Statements are discussed below:

Cash Generating Units

Cash Generating Units ("CGUs") are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users, shared infrastructures and the way in which management monitors Chinook's operations.

Impairment (reversal) indicators

Judgments are required to assess when impairment (reversal) indicators exist and impairment (reversal) testing is required. When assessing the recoverability of petroleum and natural gas properties, each CGU's carrying value is compared to its recoverable amount, defined as the greater of its fair value less cost to sell and value in use. In determining the recoverable amount of assets, in the absence of quoted market prices or observed market transactions, impairment tests are based on reserve estimates, market value of undeveloped lands and other relevant assumptions.

Key estimates that management has made that affect the measurement of balances and transactions in the Financial Statements:

Estimated cash flows and net debt

Estimated net debt upon the closing of the Transaction and estimated cash flows through to the Transaction's closing were used in the calculation of impairment for the year ended December 31, 2019. Estimated cash flows directly associated with the Chinook's producing properties were based on future prices, costs and production rates. Estimated net debt includes such cash flows but it further includes future costs not directly associated with Chinook's producing properties. Management expects that these estimated cash flows will be revised, either upward or downward, based on updated information such as future realized commodity pricing, production and costs.

Reserve estimates`

Petroleum and natural gas reserves are used in the calculation of depletion and considered in asset impairment. Reserve estimates and their resulting cash flows are based on engineering data, probability assessments of reserve recoveries, future prices and costs, future production rates, discount rates and the timing and extent of future capital expenditures, all of which are subject to many uncertainties and interpretation. Management expects that over time Chinook's reserve estimates will be revised, either upward or downward, based on updated information such as the results of future drilling, production costs, testing and production levels and changes to forward petroleum and natural gas prices.

Decommissioning obligations

Decommissioning obligations are recognized for the future decommissioning and restoration of development & production and exploration & evaluation assets. These obligations are based on a combination of current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, market conditions, discovery and analysis of site conditions and changes in technology. The expected timing of future decommissioning and restoration may change due to certain factors, including reserve life. Changes to assumptions related to future expected costs, discount rates and timing may have a material impact on the amounts presented.

5. Summary of Significant Accounting Policies

Basis of Consolidation

Subsidiaries:

Subsidiaries are entities controlled by Chinook. Chinook controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Financial Statements from the date that control commences until the date that control ceases.

Jointly Owned Assets:

Certain activities of Chinook are conducted jointly with others where the participants have a direct ownership interest in the related assets. Accordingly, the accounts of Chinook reflect only its working interest share of revenues and expenditures related to these jointly owned assets. Contractual arrangements for Chinook's jointly owned assets govern that the partners have rights to the assets and obligations for associated liabilities. It is possible that at some future date allocation adjustments to revenues or expenditures could result from revised billings, audit or litigation with these other participants. Where the final outcome of these matters is different from the amounts initially recorded, such differences will affect the revenue or expenditures in the period in which such determination is made.

Transactions eliminated on consolidation:

Intercompany balances and transactions are eliminated in preparing the Financial Statements.

Financial Instruments

Classification of Financial Instruments

There are three principal classification categories for financial instruments: measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss ("FVTPL"). Financial instruments are initially measured at fair value.

The classification of financial assets is generally based on both the business model in which the financial asset is managed and its contractual cash flow characteristics. A financial asset is subsequently 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 consolidated statements of operations and comprehensive loss. Financial liabilities are subsequently measured at either their fair value, with changes in fair value recognized in the statements of operations and comprehensive loss, or at amortized cost using the effective interest rate method. Financial instruments are not reclassified as subsequently measured at either amortized cost or FVTPL after their initial recognition.

Chinook evaluates financial instruments classified as FVTPL according to the following hierarchy on the basis of the lowest level observable input that is significant to the fair value measurement of each instrument in its entirety:

- Level 1 – Quoted prices are available in active markets for identical financial instruments as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs that are not based on observable market data.

Impairment of Financial Assets Measured at Amortized Cost

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 three to four month period and they do not have a significant financing component. As a result, Chinook recognizes an amount equal to the expected credit losses based on its historical experience and including forward-looking information. The carrying amount of these assets in the consolidated statements of financial position is net of any loss allowance.

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

D&P Assets, which include petroleum and natural gas development and production assets, in addition to administrative assets, are measured at cost less accumulated depletion and impairment. These costs are accumulated on an area-by-area basis and represent the cost of developing commercial reserves and bringing them into production, together with the exploration and evaluation expenditures incurred in finding commercial reserves transferred from E&E Assets as outlined above.

Development and production expenditures

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts are recognized as D&P Assets only when they are expected to increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including costs of the day-to-day servicing of such assets, are expensed as incurred. Such capitalized costs generally represent expenditures incurred in the development of proved undeveloped or probable reserves in addition to enhancing production from proved producing reserves.

Depletion

D&P Assets with similar useful lives are grouped together for the purposes of performing depletion calculations. Depletion expense is calculated on the unit-of-production basis based on:

- Total estimated proved plus probable reserves calculated in accordance with National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities;
- Total capitalized costs plus estimated future development costs of proved plus probable reserves, which are reviewed annually by an independent reserve engineer; and
- Relative volumes of petroleum and natural gas reserves and production, before royalties, converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of crude oil.

Management reviews these estimates, and changes, if any, are prospectively applied.

Impairment or reversal of previously reported impairment

Chinook's D&P Assets are grouped into CGUs for the purpose of assessing impairment or recovery of prior periods' reported impairments. An impairment test is performed whenever events and circumstances arising during the development and production phase indicate that the carrying value of a CGU may exceed its recoverable amount. On a CGU basis, each carrying amount is compared against its expected recoverable amount, defined as the greater of fair value less costs to sell or its value in use. Fair value less costs to sell is determined as the amount that would be obtained for the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. Fair value less costs to sell of a CGU can also be determined by using assumptions that an independent market participant may take into account. This evaluation could use discounted future net cash flows of proved and probable reserves using forecast prices and costs including the development of prospective lands. Chinook's management determines fair value in use for each CGU by estimating the present value of future net cash flows from continued production through exploitation of its proved and probable reserves. Management applies a present value to these cash flows using a discount rate range depending on the category of reserves being discounted. When it is determined that any CGU's carrying value exceeds its recoverable amount, that CGU is considered impaired and an impairment expense is reported that equals this excess.

If there are indicators that a previously recognized impairment charge may no longer be valid, the recoverable amount of the relevant CGU is determined and compared against its carrying amount. An impairment charge is reversed to the extent that the CGU's carrying amount does not exceed the value that would have been determined, net of depletion, if no impairment loss had been recognized.

Capitalized overhead costs

Overhead costs which are directly attributable to bringing an asset to the location and condition necessary for it to be capable of use in the manner intended by management are capitalized. These costs include directly attributable compensation costs paid to Chinook personnel.

Exploration and Evaluation Assets ("E&E Assets")

Exploration and evaluation expenditures

Exploration and evaluation expenditures are initially capitalized within E&E Assets until the technical feasibility and commercial viability of the project has been determined. Such exploration and evaluation expenditures may include undeveloped land license acquisitions, exploration drilling and testing and directly attributable general and administrative costs. Expenditures incurred prior to obtaining the legal right to explore are expensed as incurred. All other exploration and evaluation expenses, including geological, geophysical and annual lease costs for undeveloped lands, are expensed as incurred.

Amortization

Undeveloped land license acquisition costs for continuing operations are amortized over a term of ten years, which is based on the license term assuming capital requirements are met. All other E&E Assets are not amortized.

Impairment

E&E Asset expenditures are accumulated by well and are carried forward until the existence of commercial reserves are established. Chinook defines commercial reserves as the existence of proved and probable reserves which are determined to be technically feasible and commercially viable to extract. On discovering commercial reserves, the specific exploration and evaluation expenditures are tested for impairment. The carrying value, after any impairment loss, of the relevant exploration and evaluation expenditures are then reclassified as developed and producing assets. If specific exploration and evaluation expenditures, or a portion thereof, are no longer pursued for further evaluation or future development, the relevant costs are charged through exploration and evaluation expense.

In the absence of establishing commercial reserves, E&E Assets are assessed for impairment at the operating segment level. These assets are assessed for impairment if:

- Sufficient data exists to determine technical feasibility and commercial viability; and
- Facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Provisions

Chinook recognizes a provision in the period in which it has a present legal or constructive liability and a reasonable estimate of the amount can be made. On a periodic basis, management reviews these estimates, and changes, if any, are prospectively applied. Decommissioning obligation provisions are recorded as a liability, with a corresponding increase to the carrying amount of the related asset. The capitalized amount is depleted on a unit-of-production basis over the life of the associated proved plus probable reserves. Other provisions are expensed on initial recognition. Periodic revisions to the liability specific discount rates, estimated timing of cash flows and/or to the original estimated undiscounted costs can also result in changes to provisions. Provisions are increased each reporting period with the passage of time as reported in accretion expense. Actual costs incurred upon settlement are recorded against provisions.

Decommissioning obligations for Chinook's pipelines are not measured because they are considered indeterminable. There is no data or information that can be derived from past practice, industry practice or management intentions to allow management to reasonably estimate the timing and scope of pipeline retirements.

Deferred Taxes

Deferred tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are not recognized unless it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets and tax liabilities are offset to the extent there is a legally enforceable right to offset the recognized amounts and the intent is to either settle on a net basis or to simultaneously realize the asset and settle the liability.

Deferred income tax expense is recognized in the consolidated statements of operations and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, share options, and share awards are recognized as a deduction from equity, net of any tax effects.

Revenue Recognition

Chinook applies a single, principles-based five-step analysis of transactions to determine the nature of its obligation to perform and whether, how much and when revenue is 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 using 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 at 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.

Share-based Compensation

Chinook has the following two types of share-based incentive plans pursuant to which, share awards and share options may be granted to directors, officers, employees and other service providers of Chinook:

Share award incentive plan

The Company has a restricted and performance award incentive plan (the "Share Award Incentive Plan") pursuant to which it began to grant restricted awards ("RSUs") and performance awards ("PSUs") on June 26, 2014. Subject to the terms and conditions of the Share Award Incentive Plan, restricted awards and performance awards entitle the holder to a sum (the "Award Value") to be paid in equal tranches on the first and second anniversaries of the date of grant (the "Payment Date") of such restricted awards or performance awards, as applicable.

On the applicable Payment Date, Chinook, in its sole and absolute discretion, has the option of settling the Award Value to which a holder of restricted awards or performance awards is entitled in the form of either cash or in common shares which may either be acquired by Chinook on the stock exchange on which the common shares may be listed from time to time or issued from the treasury of Chinook, or some combination thereof. Chinook's current non-binding intention is to settle the applicable Award Value in common shares and it has therefore accounted for the fair value of the restricted awards and performance awards as though they will be equity-settled. Provided Chinook maintains this intention and settles the Award Values through the issuance of common shares, it will continue to account for the restricted awards and performance awards as equity-settled throughout their vesting period. The fair value of the restricted awards and performance awards is determined as of their grant date based on the market price of Chinook's common shares adjusted for an estimated forfeiture rate. The fair value of the performance awards is further adjusted by an estimated payout multiplier.

Share-based compensation expense is recorded over the period that the restricted awards and performance awards vest, with a corresponding increase to contributed surplus, on the basis that the award is expected to be equity settled. Forfeitures are re-estimated throughout the vesting period based on past experience and future expectations with a final adjustment upon actual vesting. The expected life of these granted awards is adjusted based on Chinook's best estimate for the effects of non-transferability and exercise restrictions. When either the restricted awards or performance awards vest they are immediately settled, at which time the related fair value amounts previously recorded in contributed surplus are reclassified to share capital.

In the case of restricted awards, the Award Value is calculated at the Payment Date(s) by multiplying the number of restricted awards by the fair market value of the Chinook common shares. The fair market value is determined on the applicable Payment Date as the volume weighted average trading price of the common shares on the Toronto Stock Exchange (or other stock exchange on which the common shares may be listed) for the five trading days immediately preceding such date.

With respect to performance awards, on each Payment Date, or such other dates as may be determined by the Compensation, Nominating and Corporate Governance Committee (the "Committee") of the Board of Directors, the holder will be entitled to an amount equal to one-half of the Award Value underlying such performance awards multiplied by a payout multiplier. The payout multiplier is determined by the Committee based on an assessment of the achievement of the pre-defined corporate performance measures in respect of the applicable period. The payout multiplier for a particular period can range from one-half to two depending on the point within the target range that Chinook satisfies the corporate performance measures. Annually, prior to the Payment Date in respect of any performance award, the Committee assesses the performance of Chinook for the applicable period.

When a restricted award or performance award vests on a Payment Date, it is immediately settled by Chinook. As a result, the reported outstanding awards will always be unvested.

Share option plan

Share options granted pursuant to Chinook's share option plan are intended to be settled through the issuance of common shares from treasury of Chinook. The fair value of share options is determined on their grant date using the Black-Scholes option pricing model. Share-based compensation expense is recorded over the period that the share options vest, with a corresponding increase to contributed surplus. Forfeitures are re-estimated throughout the vesting period based on past experience and future expectations with a final adjustment upon actual vesting. When share options are exercised, the proceeds, together with the amounts recorded in contributed surplus, are recorded in share capital. The cashless exercise of share options results in a portion of the optionee's share options being forfeited in consideration for the share option exercise price. Upon exercise, the consideration received plus the amount previously recorded as contributed surplus are recognized as share capital.

Gains or Losses on the Transfer or Disposition of Properties

Gains or losses on the transfer or disposition of properties are determined by comparing any proceeds from each transfer or sale with the specific E&E and/or D&P Assets' carrying amounts and disposed decommissioning obligations.

Exchanges of properties are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. The cost of the acquired property is measured at the fair value of the property given up, unless the fair value of the property received is more clearly evident. Chinook will report a gain or loss equal to the difference between the fair value determined for the property acquired relative to the carrying amount of the property given up.

Income (Loss) per Share

Basic income (loss) per share is calculated by dividing the net income or loss attributable to Chinook's common shareholders by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is determined by the same calculation as basic income (loss) per share except diluted income per share increases the reporting period's weighted average number of outstanding common shares by the weighted average number of outstanding RSUs, PSUs and "in-the-money" options.

Leases

Chinook adopted IFRS 16 "Leases" ("IFRS 16") effective 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 would re-measure its lease liabilities to reflect any reassessment or lease modification or to reflect revised in-substance fixed lease payments using a revised discount rate, assuming it cannot be readily determined from the lease, 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 consolidated statement of financial position immediately before the date of adoption. Chinook also relied on a practical expedient that its assessment of its previous 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 decreased its previous 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:

	December 31 2018	Adjustments	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 lease payments previously reported as onerous.

6. Financial Instruments and Market Risk Management

Financial Instrument Classification and Measurement

Chinook's accounts receivable, debt and accounts payable & accrued liabilities are classified and subsequently measured at amortized cost. The fair value of all of these financial instruments as presented on the consolidated statements of financial position at December 31, 2019, approximates their carrying amount due to their short-term nature.

Chinook's commodity price contracts are financial instruments classified as FVTPL. These contracts were assessed on the fair value hierarchy as Level 2. The estimated commodity price contract's fair value is subject to changes in historical benchmark price volatilities, forward benchmark prices, and rates for both foreign exchange and interest. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

At December 31, 2019 and 2018, Chinook does not have any measurements classified on the fair value hierarchy as either Level 1 or 3.

Market Risk Management

Chinook is exposed to a number of market risks that are part of its normal course of business. Management has primary responsibility for monitoring and managing financial instrument risks under direction from the Board of Directors, which has overall responsibility for establishing Chinook's risk management framework. In the sections below, Chinook prepared a sensitivity analysis in an attempt to demonstrate the effect of changes in these market risk factors on its consolidated statements of operations and comprehensive loss. For the purposes of the sensitivity analysis, the effect of a variation in a particular variable was calculated independently of any change in another variable. In reality, changes in one variable may contribute to changes in another, which may increase or decrease the change. The assumptions made to derive the changes in the relevant risk variables in each sensitivity analysis were based on Chinook's assessment of reasonably possible changes that could occur at December 31, 2019. The results of the sensitivity analysis should not be considered to be predictive of future performance.

Commodity Price Risk

Chinook is exposed to commodity price risk as prices it receives for its petroleum and natural gas production fluctuate. Commodity prices fluctuate as a result of a number of local and global factors including supply and demand, inventory levels, pipeline transportation constraints, weather, political stability and economic factors. Chinook enters into various commodity price contracts to mitigate the exposure to commodity price risk. The use of such instruments is subject to limits established and approved by the Board of Directors. Chinook's policy precludes the use of financial instrument contracts for speculative purposes.

Chinook's outstanding commodity price contracts at December 31, 2019 had the following terms:

Contractual Term	Notional Volumes	Index and Company's Received Price
Natural gas swap		
January 1, 2020 to March 31, 2020	2,000 GJ/d	Westcoast Station 2 CAD$1.785/GJ
Natural gas collars		
January 1, 2020 to March 31, 2020	4,000 mmbtu/d	Chicago City Gate Monthly US$2.15/mmbtu to US$4.11/mmbtu

At December 31, 2019, the above natural gas contracts had a combined fair value of $nil whereas at December 31, 2018, crude oil swaps and natural gas contracts, both of which expired during 2019, had a combined fair value asset and liability of $0.4 million and $0.7 million as reported through the line items fair value of commodity price contracts in current assets and liabilities, respectively, on the 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.

Although Chinook's commodity price contracts are sensitive to commodity price volatility, because the outstanding contracts as at December 31, 2019 expire on March 31, 2020 and given the modest associated notional volumes, the sensitivity was evaluated as being insignificant.

Chinook's loss on commodity price contracts was comprised of:

	Year ended December 31			
		2019		2018
Realized loss on commodity price contracts	**$**	**(604)**	$	(982)
Unrealized gain (loss) on commodity price contracts		**235**		(235)
Loss on commodity price contracts	**$**	**(369)**	$	(1,217)

Interest Rate Risk

Interest rate risk occurs because of changes in market interest rates. Chinook is exposed to interest rate fluctuations on its debt which bears a floating rate of interest. If the interest rate applicable to Chinook's variable rate debt were to increase by 100 basis points, its effect would increase Chinook's consolidated statements of operations and comprehensive loss by $0.1 million for the year ended December 31, 2019.

Foreign Exchange Risk

Foreign exchange risk occurs as financial instruments fluctuate as a result of changes in foreign exchange rates. Most of Chinook's financial instruments are indirectly exposed to currency risk as the underlying commodity prices in Canada for petroleum and natural gas are impacted by changes in the exchange rate between the Canadian and the United States dollars. At December 31, 2019, Chinook held a natural gas commodity price contract where the contracted price was denominated in United States dollars. The associated sensitivity of future foreign exchange rate changes was evaluated as being insignificant for this commodity price contract.

Financial Assets and Credit Risk

Credit risk is the risk of financial loss to Chinook if a partner or counterparty to a product sales contract or financial instrument fails to meet its contractual obligations. At December 31, 2019, Chinook was exposed to credit risk with respect to its accounts receivable. Most of Chinook's accounts receivable relate to petroleum and natural gas sales and operations in jointly owned assets and are subject to typical industry credit risk. During 2019, Chinook had four purchasers that individually accounted for 10% or more of the Company's revenues. Chinook transacts with a number of commodity purchasers and historically has not experienced any purchaser credit losses. Purchasers typically remit amounts to Chinook prior to the end of the month following production. Receivables from partners within jointly owned assets are typically collected within one to three months following production.

Chinook's accounts receivable balance was aged as follows:

		December 31		December 31
		2019		2018
Not past due	**$**	**3,546**	$	3,335
Past due by more than 90 days, net of allowance		**22**		51
	$	**3,568**	$	3,386

Chinook's allowance for doubtful accounts was $0.1 million at December 31, 2019 (December 31, 2018 - $0.2 million). During the year ended December 31, 2019, Chinook wrote-off $0.1 million of receivables that it had previously provided for. Chinook recognizes a loss allowance equal to the expected credit losses based on its historical experience and forward-looking information. Chinook considers all amounts greater than 90 days after the due date to be past due. At December 31, 2019, $nil million of accounts receivable, net of the allowance, were past due and considered to be collectible.

Maximum credit risk is calculated as the total recorded value of accounts receivable as at December 31, 2019.

Financial Liabilities and Liquidity Risk

"Future Operations" and "Debt" (notes 3 & 10) discuss Chinook's immediate liquidity concerns. The following financial liabilities on the consolidated statements of financial position at December 31, 2019 are due within one year:

	Within 1 year
Accounts payable & accrued liabilities	$ 4,209
Debt	7,022
	$ 11,231

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

The following table reconciles Chinook's D&P Assets:

Cost of Assets	**2019**	2018
Balance, beginning of year	**$ 284,341**	$ 281,904
Decommissioning asset change in estimate (note 11a)	**3,639**	1,987
Transfer from exploration & evaluation assets (note 8)	**-**	352
Capital expenditures	**-**	98
Balance, end of year	**$ 287,980**	$ 284,341
Accumulated Depletion & Depreciation		
Balance, beginning of year	**$ (201,411)**	$ (171,826)
Impairment	**(30,257)**	(19,600)
Depletion & depreciation	**(6,285)**	(9,985)
Balance, end of year	**$ (237,953)**	$ (201,411)
Net book values	**$ 50,027**	$ 82,930

Impairment of D&P and E&E Assets (E&E Assets)

Chinook initially identified evidence indicating impairment in the June 30, 2019 carrying values of its development and production assets. This evidence was a significant sustained reduction in forward British Columbia Station 2 natural gas pricing. Further evidence indicating impairment in the June 30, 2019 carrying value of development & production assets were concerns about Chinook's ability to finance its future development costs and the timing thereof (see note 3). As a result, Chinook tested for impairment on its one remaining *Peace River Arch* CGU. The CGU's recoverable value was estimated using a value-in-use calculation based on a roll forward of the December 31, 2018 independently prepared reserve report adjusted by management for the three engineering firms' average July 1, 2019 price forecasts, reserves produced during the first six months ended June 30, 2019 and deferring future development costs. Management used this report's expected future net revenues anticipated to be produced from the combined reserve categories proved developed, proved undeveloped and probable reserves, using before income tax discount rates ranging from 10% to 20% depending on the reserve category. This test revealed impairment of $18.9 million for the three and six months ended June 30, 2019.

Chinook identified further evidence indicating impairment in the December 31, 2019 carrying value of its D&P and E&E Assets. This evidence was the execution of the Arrangement Agreement (see note 2) where the associated consideration of $0.0675 per common share (the "Share Consideration") was less than Chinook's equivalent per common share book amount. As a result of the Arrangement Agreement, the recoverable value of both Chinook's D&P and E&E Assets was determined from their combined fair value less costs to sell which also approximates a value-in-use measure because Chinook's intention is now to sell the Company. As at June 30, 2019 and December 31, 2018, Chinook's D&P Assets' recoverable value was measured using a value-in-use model partially because the intended use at that time was to continue operations.

The combined net carrying amount prior to recognizing any further impairment as at December 31, 2019 of Chinook's D&P and E&E Assets (see note 8) less decommissioning obligations (see note 11) was $36.1 million. This net carrying amount was then compared to the proceeds pursuant to the Arrangement Agreement as detailed as follows:

- $15.1 million as determined from the Share Consideration of $0.0675 per Chinook common share times the 223.7 million of outstanding common shares; and
- Estimated net debt, as defined by the Arrangement Agreement.

These combined proceeds which approximate the fair value of the Transaction on its estimated closing date in late April 2020 are after forecasted costs to sell which have been assumed by the Purchaser. The estimated fair value less costs to sell at April 2020 was then used to determine the equivalent measure at December 31, 2019. The total consideration to be paid to Chinook shareholders plus estimated net debt and cash flow growth through to the closing of the Transaction is estimated to be $22.8 million. Because the combined net carrying amount exceeded the fair value less costs to sell, this resulted in Chinook charging impairment of $13.3 million as then allocated to both D&P and E&E Assets. This allocation was determined from the respective carrying values of D&P and E&E Assets immediately prior to recognizing this latter impairment. Including the recognized impairment of $18.9 million charged against the D&P assets for the three and six months ended June 30, 2019, the combined impairment of D&P and E&E Assets of $32.2 million for the year ended December 31, 2019 was respectively allocated at $30.3 million and $1.9 million as then charged against each of the carrying amounts of these assets ($19.6 million and $nil, respectively, for the year ended December 31, 2018).

No impairment expense sensitivity analysis has been provided as the fair value less costs to sell was contractually determined.

Transfer of pipeline from customer

During a previously reported year, a customer transferred to Chinook a section of pipeline which connected Chinook's Martin Creek Sales Line, located in northeast BC, to a third party pipeline. Management's estimated fair value of this connecting pipeline resulted in a corresponding deferred customer obligation that is being amortized over the term of the agreement, which expires October 31, 2020, pursuant to which Chinook is contractually obligated to provide this customer with access to a portion of the Martin Creek Sales Line. As a result, for the years ended December 31, 2019 and 2018, $0.8 million per year was recognized through the line item deferred customer obligation amortization as included on the consolidated statements of operations and comprehensive loss. The remaining deferred customer obligation at December 31, 2019, of $0.6 million as presented on the consolidated statements of financial position was classified as a current liability (December 31, 2018 - $1.4 million presented as $0.8 million and $0.6 million current and long-term liabilities, respectively).

8. Exploration & Evaluation Assets

At December 31, 2019 and 2018, Chinook's exploration properties, are prospective for the Montney formation as located in the Peace River Arch area. The following table reconciles Chinook's E&E Assets:

Cost of Assets		**2019**		2018
Balance, beginning of year	**$**	**32,818**	$	30,529
Cost of properties sold (note 16)		**(115)**		(384)
Capital expenditures		**-**		2,792
Transfer to development & production assets (note 7)		**-**		(352)
Decommissioning asset additions (note 11a)		**-**		233
Balance, end of year	**$**	**32,703**	$	32,818
Accumulated Amortization				
Balance, beginning of year	**$**	**(20,670)**	$	(19,240)
Impairment (note 7)		**(1,936)**		-
Amortization		**(1,656)**		(1,669)
Properties sold (note 16)		**82**		239
Balance, end of year	**$**	**(24,180)**	$	(20,670)
Net book values	**$**	**8,523**	$	12,148

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 years ended December 31, 2019 and 2018, respectively.

Exploration & Evaluation expense

Exploratory lease rental costs of $0.2 million per year were expensed during the years ended December 31, 2019 and 2018 as included in the line item "other losses" on the consolidated statements of operations and comprehensive loss.

9. Leases

Chinook's current portfolio of leases mostly consists of its new Calgary head office space.

a) Right-of-use assets

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

Balance, January 1, 2019 (note 4)	**$**	**453**
Additions (note 9b)		121
Expenditures		29
Depreciation		(449)
Balance, end of year	**$**	**154**

b) Lease liabilities

A reconciliation of Chinook's lease liabilities for the year ended December 31, 2019 is as follows:

Balance, January 1, 2019 (note 4)	**$**	**599**
Lease payments (note 9a)		(580)
Additions		121
Interest expense		16
Balance, end of year	**$**	**156**

As at December 31, 2019, Chinook measured the present value of its lease liabilities using a discount rate of 7.8% as estimated from its incremental borrowing rate. Lease liabilities as at December 31, 2019, are expected to be paid through to February 2025.

10. Debt

Chinook's amended demand credit facility agreement with a Canadian chartered bank had an availability of $10.0 million as at December 31, 2019 and 2018 (the "Demand Credit Facility"). Subsequent to December 31, 2019, Chinook and its lender completed the borrowing base redetermination. The maximum availability remained unchanged at $10.0 million. This most recent renewal as signed on February 28, 2020 (see note 2) removed the minimum hedging requirement that previously was a requirement as at December 31, 2019 and 2018 in addition to waiving breaches in the net debt to cash flow financial covenant as determined at June 30, September 30 and December 31, 2019 and as forecast for March 31, 2020. The next renewal is scheduled on May 31, 2020 but may be set at an earlier (or later) date at the sole discretion of the lender.

At December 31, 2019, Chinook had debt borrowings of $7.0 million, which included $4.7 million of borrowings drawn during the year ended December 31, 2019, and undrawn letters of credit of $0.9 million (notes 3 & 19), as secured by its lender, which reduced the available credit to $2.1 million (at December 31, 2018 – drawings of $2.4 million, undrawn letters of credit of $0.9 million and available credit of $6.7 million). The annualized effective interest rates on draws against the Demand Credit Facility for the years ended December 31, 2019 and 2018 was 5.3% and 4.6%, respectively.

All borrowings under the Demand Credit Facility have always been classified as a current liability, as the lender can request repayment of all outstanding drawn amounts at any time. 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* (waived for March 31, 2020) 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.

The February 28, 2020 renewal also has additional reporting requirements including weekly forecasted cash flows and monthly abandonment and reclamation activities in addition to requiring that the minimum LMR does not fall below 1.3 as determined for Chinook by the BCOGC.

Although Chinook recently received waivers for past financial covenant breaches and a forecasted breach, it is further forecasting that it will be in breach of the *net debt to cash flow* financial covenant per the terms of the renewed demand credit facility agreement as at June 30, 2020 assuming average realized natural gas and natural gas liquids' pricing of $1.86/mcf and $41.76/bbl, respectively. In the event that the Transaction is not completed, when the next borrowing base redetermination commences as scheduled on (or before or later) May 31, 2020, because of the forecasted breach, no assurance can be provided that the borrowing base will be renewed at the same or a similar amount or on the same or similar terms, nor can any assurance be provided that the lender will not call the debt as a result of this forecasted breach or for any other reason.

11. Provisions

As described in note 5, 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 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:

	December 31		January 1
	2018	Adjustments	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:

	December 31	January 1
	2019	2019
Decommissioning obligations (a)	**$ 35,754**	$ 32,417
Indemnifications (b)	**100**	914
Total provisions	**$ 35,854**	$ 33,331

As classified as follows:

	December 31	January 1
	2019	2019
Current portion	**$ 240**	$ 185
Long term portion	**35,614**	33,146
Total provisions	**$ 35,854**	$ 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 December 31, 2019, Chinook has estimated the net present value of its total decommissioning obligation based on a total future undiscounted liability of $37.1 million ($33.3 million - December 31, 2018). At December 31, 2019, management estimates that these payments are expected to be made over the next 14 years (23 years – December 31, 2018). At December 31, 2019 and, 2018, risk free rates of 1.8% and 2.1% and inflation rates of 1.5% and 2.0%, respectively, were used to calculate the present values of the decommissioning obligations.

The following table reconciles Chinook's decommissioning obligations:

	2019	2018
Balance, beginning of year	**$ 32,417**	$ 31,125
Decommissioning obligations' additions and change in estimate (notes 7 & 8)	**3,639**	2,220
Expenditures	**(940)**	(742)
Accretion of decommissioning obligations (note 14)	**638**	680
Property dispositions (note 16)	**-**	(866)
Balance, end of year	**$ 35,754**	$ 32,417

The increase in the decommissioning obligations' change in estimate during the year ended December 31, 2019 was caused by an increase in cost estimates recently released by the British Columbia Oil & Gas Commission and an expectation that such costs will be incurred earlier as partially offset by an increase in the difference between the risk free and inflation rates. This same increase during the year ended December 31, 2018 was caused by exploration activities and a change in estimate resulting from a decrease in the risk free rate.

b) *Indemnifications*

Chinook is involved in litigation and claims arising from indemnifications provided to the buyer of its former Tunisian operations that are attributable to years prior to 2014. During the year ended December 31, 2019, the Tunisian Appellant Court ruled on a claim initiated by a previous Tunisian service provider. This ruling was lower than what Chinook had previously measured and resulted in a decrease to its indemnification provision reported as a $0.7 million change in estimate with no associated expenditure. During the year ended December 31, 2019, indemnification provision expenditures associated with defending Chinook's interests totaled $0.1 million. Chinook's estimated remaining indemnification provision was $0.1 million as at December 31, 2019.

Expenditures applied against Chinook's onerous contract (see note 5) and indemnification provision for the year ended December 31, 2018 totaled $0.9 million.

12. **Share Capital**

Authorized

An unlimited number of no par value common shares and first preferred shares.

Issued and Outstanding Common Shares

The holders of common shares are entitled to share equally in dividends, returns of capital and to vote at shareholders' meetings.

During a previously reported year, Chinook completed a private placement on a flow-through basis. A premium of $0.3 million received on the flow-through common shares was determined from the difference between the total gross proceeds and the estimated fair value of the equivalent number of Chinook's common shares immediately preceding the date of the flow-through common share announcement. During the year ended December 31, 2018, Chinook incurred the required qualifying Canadian exploration expenditures pursuant to this issuance of common shares on a flow-through basis. As a result, for the year ended December 31, 2018, Chinook amortized the associated $0.3 million flow-through common shares premium.

13. **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. During the year ended December 31, 2019, Chinook also reported take-or-pay revenues for sales of third party acquired natural gas volumes which were 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:

	Year ended December 31	
	2019	2018
Petroleum & natural gas revenues		
Natural gas liquids	**$ 6,272**	$ 12,354
Natural gas	**7,969**	13,103
Crude oil	**153**	490
Petroleum & natural gas revenues	**14,394**	25,947
Other revenues		
Processing & gathering	**1,457**	1,050
Take-or-pay	**3,053**	3,821
Other revenues	**4,510**	4,871
Total petroleum, natural gas and other revenues	**$ 18,904**	$ 30,818

Included in accounts receivable at December 31, 2019 is $3.1 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 years ended December 31, 2019 and 2018.

As at December 31, 2019, Chinook did not have any contracts for the sale of its future production beyond a one year term. However, it has one processing & gathering contract to provide pipeline transportation services to a 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.

14. Financing

	Year ended December 31	
	2019	2018
Accretion of decommissioning obligations (note 11a)	**$ 638**	$ 680
Interest on bank debt	**295**	109
Other	**38**	84
Financing expense	**$ 971**	$ 873

15. 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 years ended December 31, 2019 and 2018, share-based compensation expense resulting from Chinook's granted Share-Based Awards was $0.5 million per year.

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:

	Number of Options (thousands)		Weighted Average Exercise Price ($/option)
Balance as at December 31, 2017	**10,277**	**$**	**0.71**
Granted	6,285		0.20
Cancelled or forfeited	(2,939)		(0.55)
Expired	(446)		(1.18)
Balance as at December 31, 2018	**13,177**	**$**	**0.49**
Granted	4,560		0.14
Cancelled or forfeited	(1,006)		(0.30)
Expired	(1,255)		(1.71)
Balance as at December 31, 2019	**15,476**	**$**	**0.30**
Exercisable	**6,359**	**$**	**0.45**

The table below summarizes the outstanding and exercisable share options, their respective weighted average exercise prices and remaining lives at December 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	4,275	$	0.14	4.0	-	$	-	-
$0.20	5,261	$	0.20	3.1	1,754	$	0.20	3.1
$0.38	4,005	$	0.38	2.3	2,670	$	0.38	2.3
$0.54 - $1.24	1,935	$	0.76	0.7	1,935	$	0.76	0.7
	15,476	**$**	**0.30**	**2.8**	**6,359**	**$**	**0.45**	**2.0**

In addition to forfeiture rates of approximately 14% and 13%, which were 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 years ended December 31, 2019 and 2018, respectively:

	2019	2018
Expected average life (years) (1)	**3 to 5**	**3 to 5**
Weighted average risk-free interest rate (%)	**1.9**	**2.0**
Weighted average volatility factor (%) (2)	**64 to 80**	**59**
Share option exercise price ($/option)	**0.14**	**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 years ended December 31, 2019 and 2018 was $0.08 and $0.09 per option, respectively.

Share Award Incentive Plan

The following table reconciles Chinook's outstanding restricted awards issued pursuant to the Share Award Incentive Plan:

	Number of Restricted Awards (thousands)
Balance as at December 31, 2017	200
Granted	191
Distributed	(40)
Cancelled	(224)
Balance as at December 31, 2018	**127**
Distributed	(77)
Balance as at December 31, 2019	**50**

The fair value determined for restricted awards granted during the year ended December 31, 2018 was $0.20 per award. This fair value was based on the market price of Chinook's common shares on the grant date of the restricted awards. No restricted awards were granted during the year ended December 31, 2019.

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

16. Property Dispositions

During the year ended December 31, 2019, Chinook sold its rights to undeveloped lands located in Gordondale, Alberta. There were negligible proceeds and net carrying amounts associated to this property disposition.

During the year ended December 31, 2018, Chinook disposed of its rights to undeveloped lands and suspended wells located in Rigel, British Columbia and Gordondale, Alberta. The $0.2 million net carrying amount of the undeveloped lands less $0.9 million of associated decommissioning obligations resulted in a gain on the transfer of property rights of $0.7 million for the year ended December 31, 2018.

17. Income Taxes

The provision for income taxes reflects an effective tax rate which differs from the expected statutory rate. Differences were accounted for as follows:

	Year ended December 31	
	2019	2018
Net loss before tax	**$ (42,263)**	$ (27,654)
Effective tax rate	**26.8%**	27.0%
Expected income tax recovery	**$ (11,305)**	$ (7,467)
Effect on income tax resulting from:		
Decrease in future expected statutory tax rates	**7,148**	-
Change in unrecognized tax asset excluding renounced expenditures	**3,469**	6,970
Tax rate differences on decrease in future expected statutory tax rates and unrecognized tax assets	**743**	-
Permanent differences	**(51)**	37
Adjustments to opening deferred tax balances	**(4)**	(35)
Expenditures renounced to flow-through common shares	**-**	495
Total income tax expense	**$ -**	$ -

The statutory tax rate consists of the combined federal and provincial tax rates applicable for the Company and its subsidiaries.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items, because it is not probable that there will be available future taxable profitability against which Chinook can realize the benefits therefrom:

	December 31 2019	December 31 2018
Development & production/exploration & evaluation assets	**$ 35,358**	$ 15,421
Provisions	**35,754**	32,807
Non-capital losses	**316,985**	296,363
Net capital losses	**10,987**	10,987
Other	**733**	1,774
	$ 399,817	$ 357,352

At December 31, 2019, Chinook had $317.0 million of non-capital losses (December 31, 2018 - $296.4 million). The losses will expire commencing in 2029 through to 2040.

Change in effective tax rate

The Government of Alberta's Bill 3, *Job Creation Tax Cut Act*, received Royal Assent during the year ended December 31, 2019. This reduced the general Alberta corporate tax rate from 12% to 11.5% during 2019 and will further reduce this rate from 10% to 8% from 2020 to 2022. Because Chinook's head office is in Calgary whereas its operations are in located in northeast BC, approximately one-half of any future corporate taxable income would be allocated to Alberta with the other half allocated to BC. These reduced tax rates have lowered the value of Chinook's unrecognized deferred tax assets and their associated valuation allowance.

Uncertain tax position

Chinook is subject to taxation in Canada and was subject to taxation in international jurisdictions. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain. Chinook maintains provisions for uncertain tax positions that it believes appropriately reflect its risk. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Chinook reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date, liabilities in excess of Chinook's provisions could result from audits by, or litigation with, tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

18. Related Party and Significant Shareholder

Chinook has determined that its key management personnel consist of its officers and directors. In addition to the salaries and directors fees paid to the officers and directors, respectively, the officers and directors participate in Chinook's share option plan. The officers' salaries, directors' fees and other benefits, as mostly included in general and administrative expense for the years ended December 31, 2019 and 2018, totaled $1.2 million and $1.7 million, respectively. The share option plan benefits for Chinook's officers and directors, as included in share-based compensation for the years ended December 31, 2019 and 2018, totaled $0.4 million and $0.5 million, respectively.

Alberta Investment Management Corporation ("AIMCo"), as investment manager to Her Majesty the Queen in Right of the Province of Alberta ("HMQ"), maintains investment control and direction over approximately 36% of Chinook's outstanding common shares for the benefit of HMQ. Pursuant to a management and administration services agreement (the "Services Agreement") dated June 29, 2010, Chinook was engaged to manage, administer and maintain the properties and the books, accounts and records of WOGH Limited Partnership ("WOGH"). WOGH is held by nominees of AIMCo on behalf of HMQ. As Chinook manages, administers and maintains the properties and the books, accounts and records of WOGH, the Company is reimbursed for such services. In accordance with the Services Agreement, Chinook reported a recovery from WOGH, which is mostly reported against the Company's general and administrative expense of $0.5 million and $0.9 million for the years ended December 31, 2019 and 2018, respectively. The recovery for the years ended December 31, 2019 and 2018 was generally determined from WOGH's pro rata share as estimated at 11% and 12%, respectively, of its and Chinook's combined production volumes. At December 31, 2019 and 2018, $nil million and $0.1 million, respectively, of this general and administrative recovery was included in accounts receivable.

19. Commitments and Guarantees

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

	2020	2021	2022	2023	2024	Thereafter	Total
Office contracts	$ 348	$ 320	$ 304	$ 300	$ 301	$ 47	$ 1,620
Operating and transportation contracts	2,338	220	-	-	-	-	2,558
	$ 2,686	**$ 540**	**$ 304**	**$ 300**	**$ 301**	**$ 47**	**$ 4,178**

The office contracts include the non-lease component of Chinook's current Calgary office space whereas the operating and transportation contracts relate to minimum contractual payments should Chinook not benefit from the operating services or pipeline transportation.

At December 31, 2019 and 2018, Chinook has guaranteed a pipeline commitment through undrawn letters of credit of $0.9 million (notes 3 & 10) as secured by its lender. At December 31, 2018, Chinook's prepaids and deposits included a payment of $1.2 million to further guarantee this pipeline commitment that was mostly refunded during the year ended December 31, 2019. At December 31, 2019, Chinook guaranteed future processing tolls through a payment of $0.5 million as included in prepaids and deposits. CEI has also guaranteed indemnifications provided by its wholly-owned subsidiary, Storm BVI, to the buyer of its former Tunisian operations (see note 11b).

20. Other Supplementary Information

Changes in non-cash working capital

	Year ended December 31	
	2019	2018
Cash provided by (used for):		
Accounts receivable	**$ (182)**	$ 104
Prepaids & deposits	**759**	(1,155)
Accounts payable & accrued liabilities	**(1,338)**	(4,368)
	$ (761)	$ (5,419)
Cash provided by (used for):		
Operating activities	**$ (310)**	$ (1,311)
Financing activities	**-**	(20)
Investing activities	**(451)**	(4,088)
	$ (761)	$ (5,419)

Chinook's prepaids & deposits' balance at December 31, 2018 was lowered by prepaid office space rents on the January 1, 2019 adoption of IFRS 16 (see note 5).

Cash interest and financing fees paid

	Year ended December 31	
	2019	2018
Cash interest & financing fees paid	**$ 317**	$ 137

Per share amounts

	Year ended December 31	
	2019	2018
Weighted average shares outstanding - basic & diluted (thousands)	**223,672**	223,594
Net loss	**$ (42,263)**	$ (27,654)
Net loss per share - basic & diluted ($/share)	**$ (0.19)**	$ (0.12)

For the years ended December 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.

Consolidated statements of operations and comprehensive loss presentation

Chinook's consolidated statements of operations and comprehensive loss was prepared primarily by nature of expense, with the exception of employee compensation costs which were included in the production and operating, general and administrative, severance and exploration and evaluation expense line items.

The following table details the amount of total employee compensation costs included in these line items in the consolidated statements of operations and comprehensive loss:

	Year ended December 31	
	2019	2018
Production & operating	**$ 445**	$ 476
General & administrative	**1,138**	1,052
Severance costs	**-**	834
Exploration & evaluation	**-**	45
Total employee compensation costs	**$ 1,583**	$ 2,407