

## HIGHLIGHTS

- Paramount closed the sale of its Musreau Complex natural gas processing facility for gross cash proceeds of approximately \$565 million in April 2016.
- In July 2016, Paramount entered into an agreement to sell 450 (310 net) sections of its Deep Basin oil & gas properties in the Musreau/Kakwa area (the "Musreau/Kakwa Assets") to Seven Generations Energy Ltd. ("7G" or "Seven Generations") for total consideration of approximately \$1.9 billion (the "Sale Transaction"). Completion of the Sale Transaction is subject to the approval of Paramount's shareholders, regulatory approvals and other customary closing conditions.
- Consideration to Paramount for the Sale Transaction will include: \$475 million in cash, 33.5 million 7G class A common shares and the assumption by 7G of Paramount's US\$450 million 6.875% senior unsecured notes due 2023.
- Second quarter sales volumes averaged 40,890 Boe/d, including 9,490 Bbl/d of condensate and oil.
- Excluding the Musreau/Kakwa Assets, Paramount's sales volumes were approximately 11,000 Boe/d (31 percent liquids) in the second quarter of 2016.
- Paramount commenced its 2016 drilling program in the second quarter. The Company continued to realize improvements in capital efficiencies in its drilling operations through longer lateral lengths, deploying multiple rigs per multi-well pad, lower service costs and other operational advances.
- To the end of July, drilling operations were completed on eight 1.5 mile horizontal Montney wells at Musreau with an average of 36 drilling days per well. These wells and other wells in progress in Musreau/Kakwa are to be included as part of the Sale Transaction.
- At Karr-Gold Creek, the Company finished drilling one Montney well in July and commenced drilling a three-Montney well pad in late-July. These wells are all designed with 2.0 mile lateral lengths and are expected to be completed with high intensity 50 stage water-based fracks. The first of the Karr-Gold Creek wells is expected to be completed and brought on production in the third quarter, with the other wells to be brought on production in the fourth quarter.
- The market value of Paramount's financial portfolio following completion of the Sale Transaction is estimated to be approximately \$1.2 billion, approximately \$11.00 per Paramount share, based on current market prices.
- Pro forma the Sale Transaction, Paramount's June 30, 2016 net debt would be approximately \$300 million. Taking into account the Company's financial portfolio, Paramount would be effectively debt free.

## MUSREAU/KAKWA SALE TRANSACTION

The Sale Transaction is a transformational event for Paramount and is consistent with Paramount's long historical track record of early stage resource capture and delineation followed by strategic and creative value realization. Following the close of the Sale Transaction, Paramount will have the financial resources to continue with this strategy on its remaining Montney, Duvernay and other resource properties. In addition, Paramount intends to be an active participant in the market for acquisitions as the Company will have extensive financial flexibility and access to capital markets, providing a significant competitive advantage.

The consideration payable to Paramount by 7G for the Musreau/Kakwa Assets will be approximately \$1.9 billion (subject to customary closing adjustments) which will be comprised of a combination of: \$475 million in cash, 33.5 million 7G class A common shares (having a value of approximately C\$837 million based on the 10 day VWAP of the 7G shares on July 5, 2016, the day immediately prior to announcement of the Sale Transaction), the assumption by 7G of Paramount's US\$450 million 6.875% senior unsecured notes due 2023 and certain oil and gas properties in the Musreau/Kakwa area having a value of approximately \$6 million. The cash consideration received will be used to reduce Paramount's debt and for general corporate purposes.

The Musreau/Kakwa Assets had sales volumes of approximately 30,000 Boe/d for the three month period ended June 30, 2016 and 34,000 Boe/d for the six month period ended June 30, 2016. The Musreau/Kakwa Assets also include minor facilities and gathering systems related to the oil and gas properties being sold. 7G will also assume Paramount's processing and transportation commitments relating to the Musreau/Kakwa Assets in connection with the Sale Transaction.

The Sale Transaction has an effective date of June 1, 2016 and an expected closing date of August 18, 2016. Completion of the Sale Transaction is subject to the approval of Paramount's shareholders, regulatory approvals and other customary closing conditions.

Additional information concerning the Sale Transaction can be found in Paramount's Material Change Report dated July 12, 2016 and Information Circular dated July 15, 2016, both of which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

In connection with the Sale Transaction, Paramount has commenced a consent solicitation and given notice of conditional redemption in respect of its \$450 million principal amount of 7.625% senior unsecured notes due 2019 (the "2019 Notes").

The consent solicitation seeks consent from the holders of the 2019 Notes (the "2019 Noteholders") to waive and amend certain provisions of the indenture for the 2019 Notes such that the Sale Transaction can be completed with consenting holders remaining as holders of their 2019 Notes post-closing. A consent fee of \$5.00 per \$1,000 principal amount of 2019 Notes is payable to those 2019 Noteholders who provide their consent, conditional on the Sale Transaction closing. The consent solicitation is conditional on, among other things, closing of the Sale Transaction and a minimum acceptance from 2019 Noteholders holding at least \$100 million principal amount of 2019 Notes, with a maximum acceptance of \$300 million principal amount (with Paramount able to waive such maximum). The Sale Transaction will be completed regardless of the results of the consent solicitation, as the 2019 Notes of all non-consenting 2019 Noteholders will be redeemed.

2019 Noteholders who wish to consent must instruct their intermediary (broker, dealer, commercial bank, trust company or other nominee) who is a CDS participant to complete and execute the consent form and mail, email or deliver the form to Computershare Trust Company of Canada, the depositary, in accordance with the procedures set forth in the consent form. Consents should not be delivered to Paramount. 2019 Noteholders who do not deliver a properly completed and executed consent on or prior to 5:00 pm (Toronto time) on August 15, 2016 will have their 2019 Notes redeemed.

The consent solicitation and notice of conditional redemption and related documents are available on Paramount's website at: <http://www.paramountres.com/investor-relations/the-musreaukakwa-disposition-documents>

Scotia Capital Inc. has been retained by Paramount as sole lead solicitation agent in connection with the consent solicitation.

## PARAMOUNT - POST SALE TRANSACTION

Following the Sale Transaction, Paramount will continue to have a land base (excluding emerging plays and strategic investments in the northern frontier and oil sands) of over 660,000 net acres of land, including 380,000 net acres of Montney rights. The Company plans to continue the development of its liquids-rich Deep Basin plays, comprised of:

- Karr-Gold Creek Montney;
- Smoky/Resthaven Cretaceous and Montney;
- Valhalla Montney;
- Birch/Umbach northeast British Columbia Montney; and
- Willesden Green Duvernay.

Paramount will also continue to hold a significant portfolio of emerging plays and strategic investments, including:

- exploratory shale gas assets in the Liard Basin;
- northern frontier assets in Central Mackenzie and the Mackenzie Delta;
- oil sands assets held through its wholly-owned subsidiary Cavalier Energy Inc.;
- seven triple-sized rigs held through its wholly-owned subsidiary Fox Drilling Limited Partnership; and
- investments in other public and private oil and gas companies (including, among others, [Trilogy Energy Corp.](#), [MEG Energy Corp.](#), Strategic Oil & Gas Ltd., [Marquee Energy Ltd.](#) and [RMP Energy Inc.](#)).

The market value of Paramount's investments in other public and private oil and gas companies (including Seven Generations shares) following completion of the Sale Transaction is estimated to be approximately \$1.2 billion, approximately \$11.00 per Paramount share, based on current market prices.

Paramount's 2016 capital spending following the closing of the Sale Transaction will be focused on expanding the Company's existing 4,500 Boe/d Karr-Gold Creek development. The Karr-Gold Creek area encompasses approximately 110 net sections of land directly north of the divested Musreau/Kakwa Assets where condensate yields and well economics are similar to that of the Kakwa/Musreau Montney.

The following tables set out the sales volumes and netback of Paramount for the six months ended June 30, 2016, excluding the Musreau/Kakwa Assets:

	Six months ended June 30	
	2016	2015
Natural gas (MMcf/d)	49.7	49.4
Condensate and oil (Bbl/d)	2,712	2,318
Other NGLs <sup>(1)</sup> (Bbl/d)	805	1,211

Total (Boe/d)	11,802		11,764	
% Liquids	30	%	30	%

(1) Other NGLs means ethane, propane and butane.

	Six Months ended June 30			
	2016		2015	
	(\$MM)	(\$/Boe) <sup>(1)</sup>	(\$MM)	(\$/Boe) <sup>(1)</sup>
Natural gas revenue	17.2	1.90	25.8	2.88
Condensate and oil revenue	22.2	44.90	23.2	55.40
Other NGLs revenue <sup>(2)</sup>	0.9	6.04	3.6	16.27
Royalty and sulphur revenue	0.6	-	1.5	-
Petroleum and natural gas sales	40.9	19.02	54.1	25.42
Royalties	(0.6)	(0.29)	(1.9)	(0.89)
Operating expense	(26.5)	(12.34)	(25.5)	(11.96)
Transportation and NGLs processing <sup>(3)</sup>	(10.0)	(4.64)	(6.5)	(3.06)
Netback	3.8	1.75	20.2	9.51

(1) Natural gas revenue shown per Mcf.

(2) Other NGLs means ethane, propane and butane.

(3) Includes downstream natural gas, NGLs and oil transportation costs and NGLs fractionation costs incurred by the Company.

#### OPERATING AND FINANCIAL HIGHLIGHTS <sup>(1)</sup>

(\$ millions, except as noted)

	Three months ended June 30			Six months ended June 30		
	2016	2015	% Change	2016	2015	% Change
Sales volumes						
Kaybob (Boe/d)	32,584	35,473	(8)	36,558	32,924	11
Grande Prairie (Boe/d)	5,833	5,645	3	6,603	6,142	8
Other (Boe/d)	2,473	1,486	66	2,365	1,406	68
Total (Boe/d)	40,890	42,604	(4)	45,526	40,472	12
Natural gas (MMcf/d)	129.8	154.4	(16)	141.9	151.5	(6)
Condensate and oil (Bbl/d)	9,490	7,595	25	11,368	7,092	60
Other NGLs (Bbl/d) <sup>(2)</sup>	9,764	9,282	5	10,512	8,131	29
Total (Boe/d)	40,890	42,604	(4)	45,526	40,472	12
% Liquids	47	% 40	%	48	% 38	%
Petroleum and natural gas sales	73.6	94.6	(22)	164.8	174.8	(6)
Average realized price (\$/Boe)	19.79	24.40	(19)	19.89	23.86	(17)
Netback including commodity contract settlements	28.4	54.3	(48)	88.6	99.4	(11)
\$/Boe	7.64	14.00		10.70	13.56	
Funds flow from operations	(4.9)	19.6	(125)	17.5	35.3	(50)
per share - diluted (\$/share)	(0.05)	0.19		0.16	0.34	
Exploration and Capital Expenditures						
Principal Properties Capital <sup>(3)</sup>	26.2	88.1	(70)	46.3	276.3	(83)
Strategic Investments	4.2	12.8	(67)	19.8	42.7	(54)
Other	11.1	0.6	nm	11.4	6.1	87
Total	41.5	101.5	(59)	77.5	325.1	(76)
Net loss	(30.6)	(60.2)	(49)	(76.5)	(130.5)	(41)
per share - diluted (\$/share)	(0.29)	(0.57)		(0.72)	(1.24)	
Total assets				2,158.1	3,522.4	(39)
Net Debt				1,363.9	1,746.2	(22)
Common shares outstanding (thousands)				106,241	106,212	-
Investments in other entities - market value <sup>(4)</sup>				162.1	227.3	(29)

nm Not meaningful

(1) Readers are referred to the advisories concerning Non-GAAP Measures and Oil and Gas Measures and Definitions in the Advisories section of this document.

- (2) Other NGLs means ethane, propane and butane.
- (3) Principal Properties Capital includes capital expenditures and geological and geophysical costs related to the Company's Principal Properties, and excludes land acquisitions and capitalized interest.
- (4) Based on the period-end closing prices of publicly-traded investments and the book value of the remaining investments.

Paramount is an independent, publicly traded, Canadian corporation that explores for and develops conventional petroleum and natural gas prospects, pursues longer-term non-conventional exploration and pre-development projects and holds investments in other entities. The Company's properties are primarily located in Alberta and British Columbia. Paramount's Class A Common Shares are listed on the Toronto Stock Exchange under the symbol "POU".

Paramount's second quarter 2016 results, including Management's Discussion and Analysis and the Company's Consolidated Financial Statements, can be obtained at: <http://media3.marketwire.com/docs/1064890a.pdf>.

This information will also be made available through Paramount's website at [www.paramountres.com](http://www.paramountres.com) and SEDAR at [www.sedar.com](http://www.sedar.com).

## ADVISORIES

### Forward Looking Information

Certain statements in this document constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "estimate", "will", "expect", "plan", "schedule", "intend", "propose", or similar words suggesting future outcomes or an outlook. Forward-looking information in this document includes, but is not limited to:

- the anticipated closing date of the Sale Transaction;
- the total value of the consideration to be received by Paramount for the Musreau/Kakwa Assets;
- Paramount's assets and projected production and land holdings following the completion of the Sale Transaction;
- The estimated value, based on current market prices, of Paramount's financial portfolio (including the 7G shares) following the closing of the Sale Transaction;
- the processing and transportation commitments that will be assigned to 7G if the Sale Transaction is completed;
- the New Facility that will be available to Paramount upon completion of the Sale Transaction and the terms thereof;
- the anticipated benefits of the Sale Transaction to Paramount and its shareholders;
- Paramount's reduced indebtedness and increased financial flexibility following the Sale Transaction;
- the conditional consent solicitation with respect to the 2019 Notes, the redemption of non-consenting holders and related matters;
- the timing of the four Karr-Gold Creek Montney wells being brought on production;
- Paramount's business plans and strategy following the Sale Transaction, including its planned capital spending for the remainder of 2016; and
- general business strategies and objectives.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect. Assumptions have been made with respect to the following matters, in addition to any other assumptions identified in this document:

- the terms of the Sale Transaction and the other matters disclosed herein in relation to the Sale Transaction;
- the timely receipt of shareholder and regulatory approvals for the completion of the Sale Transaction;
- the scope and effect of the expected benefits from the Sale Transaction;
- applicable post-closing adjustments in relation to the Sale Transaction;
- future natural gas and Liquids prices;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates and interest rates;
- general business, economic and market conditions;
- the ability of Paramount to obtain the required capital to finance its exploration, development and other operations and meet its commitments and financial obligations;
- the ability of Paramount to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its activities;
- the ability of Paramount to secure adequate product processing, transportation, de-ethanization, fractionation, and storage capacity on acceptable terms;
- the ability of Paramount to market its natural gas and Liquids successfully to current and new customers;
- the ability of Paramount and its industry partners to obtain drilling success (including in respect of anticipated production volumes, reserves additions, Liquids yields and resource recoveries) and operational improvements, efficiencies and results consistent with expectations;
- the timely receipt of required governmental and regulatory approvals; and
- anticipated timelines and budgets being met in respect of drilling programs and other operations (including well completions and tie-ins and the construction, commissioning and start-up of new and expanded facilities).

Although Paramount believes that the expectations reflected in such forward-looking information are reasonable, undue reliance

should not be placed on them as Paramount can give no assurance that such expectations will prove to be correct. Forward-looking information is based on expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Paramount and described in the forward-looking information. The material risks and uncertainties include, but are not limited to:

- the Sale Transaction and the other matters disclosed herein in relation to the Sale Transaction will not be completed on the terms anticipated or at all;
- the conditions to the completion of the Sale Transaction not being satisfied;
- the expected benefits of the Sale Transaction not being realized;
- fluctuations in natural gas and Liquids prices;
- changes in foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future revenue, future production, reserve additions, Liquids yields (including condensate to natural gas ratios), resource recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate product processing, transportation, de-ethanization, fractionation, and storage capacity on acceptable terms;
- operational risks in exploring for, developing and producing, natural gas and Liquids;
- the ability to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost;
- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities (including third-party facilities);
- processing, pipeline, de-ethanization, and fractionation infrastructure outages, disruptions and constraints;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves and resources estimates;
- general business, economic and market conditions;
- the ability to generate sufficient cash flow from operations and obtain financing to fund planned exploration, development and operational activities and meet current and future commitments and obligations (including product processing, transportation, de-ethanization, fractionation and similar commitments and debt obligations);
- changes in, or in the interpretation of, laws, regulations or policies (including environmental laws);
- the ability to obtain required governmental or regulatory approvals in a timely manner, and to enter into and maintain leases and licenses;
- the effects of weather;
- the timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- uncertainties regarding aboriginal claims and in maintaining relationships with local populations and other stakeholders;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities.

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "RISK FACTORS" in Paramount's current annual information form. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, Paramount undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

## Non-GAAP Measures

In this document "Funds flow from operations", "Netback", "Net Debt", "Exploration and Capital Expenditures", "Principal Properties Capital" and "Investments in other entities - market value", collectively the "Non-GAAP measures", are used and do not have any standardized meanings as prescribed by International Financial Reporting Standards.

Funds flow from operations refers to cash from operating activities before net changes in operating non-cash working capital, geological and geophysical expenses and asset retirement obligation settlements. Funds flow from operations is commonly used in the oil and gas industry to assist management and investors in measuring the Company's ability to fund capital programs and meet financial obligations. Netback equals petroleum and natural gas sales less royalties, operating costs and transportation and NGLs processing costs. Netback is commonly used by management and investors to compare the results of the Company's oil and gas operations between periods. Net Debt is a measure of the Company's overall debt position after adjusting for certain working capital amounts and is used by management to assess the Company's overall leverage position. Refer to the liquidity and capital resources section of the Company's Management's Discussion and Analysis for the period for the calculation of Net Debt. Exploration and capital expenditures consist of the Company's spending on wells and infrastructure projects, other property, plant and equipment, land and property acquisitions, capitalized interest and geological and geophysical costs incurred. The closest GAAP measure to exploration and development expenditures is property, plant and equipment and exploration cash flows under investing activities in the Company's Consolidated Statement of Cash Flows, which includes all of the items included in exploration and capital expenditures, except for geological and geophysical costs for the three and six months ended June 30, 2016 of \$1.0 million and \$2.2 million, respectively (2015 - \$1.1 million and \$2.6 million, respectively), which are expensed as incurred. Principal Properties Capital includes capital expenditures and geological and geophysical costs related to the Company's Principal Properties, and excludes land acquisitions and capitalized interest. The Principal Properties Capital measure provides management and investors with information regarding the Company's Principal Properties spending on drilling and infrastructure projects separate from land acquisition activity and capitalized interest. Refer to the Exploration and Capital Expenditures section of the Company's Management's Discussion and Analysis for the period. Investments in other entities - market value reflects the Company's investments in enterprises whose securities trade on a public stock exchange at their period end closing price (e.g. [Trilogy Energy Corp.](#), [MEG Energy Corp.](#), [Marquee Energy Ltd.](#), [RMP Energy Inc.](#), Strategic Oil & Gas Ltd. and others), and investments in all other entities at book value. Paramount provides this information because the market values of equity-accounted investments, which are significant assets of the Company, are often materially different than their carrying values.

Non-GAAP measures should not be considered in isolation or construed as alternatives to their most directly comparable measure calculated in accordance with GAAP, or other measures of financial performance calculated in accordance with GAAP. The Non-GAAP measures are unlikely to be comparable to similar measures presented by other issuers.

## Oil and Gas Measures and Definitions

This document contains disclosures expressed as "Boe", "\$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the six months ended June 30, 2016, the value ratio between crude oil and natural gas was approximately 30:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value. The term "Liquids" is used to represent oil, condensate and Other NGLs. NGLs consist of condensate and Other NGLs. The term "Other NGLs" means ethane, propane and butane.

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