Annual Information Form
For the Year Ended December 31, 2014

March 16, 2015

TABLE OF CONTENTS

INTRODUCTORY INFORMATION

In this annual information form, unless otherwise specified or the context otherwise requires, references to “Paramount” or to the “Company” mean Paramount Resources Ltd., including the subsidiaries and partnerships directly and indirectly owned by the Company. In addition, information herein is presented as at December 31, 2014, unless otherwise noted.

Unless otherwise indicated, all financial information included in this annual information form has been prepared in accordance with International Financial Reporting Standards (“IFRS”). Paramount’s audited consolidated financial statements as at and for the year ended December 31, 2014 can be found under the Company’s profile on the SEDAR website at www.sedar.com.

This annual information form contains disclosure expressed as “Boe” (barrels of oil equivalent), “MBoe” (thousands of barrels of oil equivalent), “MMBoe” (millions of barrels of oil equivalent), “Boe/d” (barrels of oil equivalent per day), “Bbl” (barrels), “MBbl” (thousands of barrels), “Bbl/d” (barrels per day), “Mcfe” (thousands of cubic feet equivalent), “Mcf” (thousands of cubic feet), “MMcf” (millions of cubic feet), “Bcf” (billions of cubic feet), “MMcf/d” (millions of cubic feet per day), “Btu” (British thermal units) and “MMBtu” (millions of British thermal units). The term “liquids” is used to represent oil and natural gas liquids, including condensate. The term “liquids rich” is used to represent natural gas streams with associated liquids volumes. The term “behind-pipe wells” means new wells that have been rig-released but have not been placed on production, including wells that have not been completed, wells that have been completed but not yet tied-in and wells that have been completed and tied-in. References to the Company’s “Deep Basin lands” include the Musreau, Resthaven and Smoky properties in the Kaybob Corporate Operating Unit ("COU") and the Karr-Gold Creek property in the Grande Prairie COU. All oil, natural gas liquids (“NGLs”), and natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil (6:1). 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. During 2014, the value ratio between oil and natural gas was approximately 19:1. 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. In this document “Funds flow from operations” and “Netback”, collectively the “Non-GAAP measures” are used and do not have any standardized meanings as prescribed by IFRS. 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. 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.

Unless otherwise specified, all dollar amounts are expressed in Canadian dollars and all references to “dollars” or “$” are to Canadian dollars and all references to “US$” are to United States dollars.

NOTE REGARDING FORWARD-LOOKING STATEMENTS AND ADVISORIES

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:

- projected production and sales volumes (including the liquids component of such volumes);
- forecast capital expenditures;
- exploration, development, and associated operational plans and strategies (including planned drilling programs, well tie-ins and potential facilities expansions and additions), and the anticipated timing of, and sources of funding for, such activities;
- anticipated increases in funds flow from operations;
- projected timelines for, and the estimated costs of, constructing and starting-up new and expanded natural gas processing and associated facilities (and the Company's projected Deep Basin processing and condensate stabilization capacities following the completion of these facilities);
- projected timelines for constructing new drilling rigs;
- the projected availability of third party processing, transportation, fractionation (including de-ethanization), and other capacity;
- estimated reserves and resources and the undiscounted and discounted present value of future net revenues therefrom;
- anticipated increases in Montney resource recoveries under new well spacing regulations;
- future taxes payable or owing;
- the potential outcome and timing of any legal claims, audits, assessments or other regulatory matters or proceedings;
- the potential expiry of leases for undeveloped land; and
- timing and cost of future abandonment and reclamation obligations.

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:

- future natural gas, NGLs (including condensate), oil, bitumen and other commodity prices;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates and interest rates;
- general economic and business conditions;
- the ability of Paramount to obtain the required capital to finance its exploration, development and other operations;
- 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, fractionation (including de-ethanization) and storage capacity on acceptable terms;
- the ability of Paramount to market its future natural gas, NGLs (including condensate), oil, and bitumen 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, liquid 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 is reasonable, undue reliance should not be placed on it 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:

- fluctuations in future natural gas, NGLs (including condensate), oil, bitumen and other commodity prices;
- changes in foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future revenue, future production, reserve additions, liquid yields (including condensate to natural gas ratios), resource recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate product processing, transportation, fractionation (including de-ethanization) and storage capacity on acceptable terms;
- operational risks in exploring for, developing and producing natural gas, NGLs (including condensate), oil, and bitumen;
- 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);
- industry wide processing, pipeline and fractionation (including de-ethanization) 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 funds flow from operations and obtain financing at an acceptable cost to fund planned exploration, development and operational activities and meet current and future obligations (including costs of anticipated new and expanded facilities and other projects and product processing, transportation, fractionation (including de-ethanization) and similar commitments);
- 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 this 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.

CORPORATE STRUCTURE

Paramount is incorporated under the *Business Corporations Act* (Alberta). The Company's corporate and registered office is located at Suite 4700, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5. Paramount's Class A Common Shares ("Common Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "POU".

Paramount's main operating entity is Paramount Resources, an Alberta general partnership directly and indirectly wholly-owned by Paramount. Individually, the Company's other subsidiaries and partnerships each accounted for less than 10 percent of the Company's total consolidated assets and total consolidated sales and operating revenues as at and for the year ended December 31, 2014. In aggregate, the Company's other subsidiaries and partnerships accounted for less than 20 percent of the Company's total consolidated assets and total consolidated sales and operating revenues as at and for the year ended December 31, 2014.

GENERAL DEVELOPMENT OF THE BUSINESS

Paramount is an independent, publicly traded, Canadian energy corporation that explores for and develops natural gas, natural gas liquids and crude oil. The Company commenced operations as a public company on December 18, 1978, with an initial public offering that raised $4.7 million and a share exchange with a private company, Paramount Oil & Gas Ltd., for certain crude oil and natural gas assets with a book value of $341,000. Paramount has adapted to a multitude of operating climates over the years, and has grown into a company with a market capitalization of approximately $3.1 billion as of March 16, 2015. In addition, Paramount has spun-out three public entities: (i) Paramount Energy Trust in February, 2003 (Paramount Energy Trust subsequently converted to Perpetual Energy Inc.); (ii) Trilogy Energy Trust in April, 2005 (Trilogy Energy Trust subsequently converted to Trilogy Energy Corp. ("Trilogy")); and (iii) MGM Energy Corp. ("MGM Energy") in January 2007. In December 2011, the Company reorganized its oil sands and carbonate bitumen assets into a new wholly-owned subsidiary named Cavalier Energy Inc. ("Cavalier"). In June 2014, Paramount re-acquired MGM Energy by purchasing all of MGM Energy's common shares that it did not already own.

Paramount's operations are divided into three business segments, which have been established by management to assist in resource allocation, to assess operating performance and to achieve long-term strategic objectives: i) Principal Properties; ii) Strategic Investments; and iii) Corporate.

Paramount's Principal Properties are divided into four COUs:

- the Kaybob COU (or "Kaybob"), which includes properties in west central Alberta;
- the Grande Prairie COU (or "Grande Prairie"), which includes properties in the Peace River Arch area of Alberta;
- the Southern COU (or "Southern"), which includes properties in southern Alberta; and
- the Northern COU (or "Northern"), which includes properties in northeast British Columbia and northern Alberta.

Strategic Investments include: (i) investments in other entities, including affiliates; (ii) investments in exploration and development stage assets, where there is no near-term expectation of commercial production, but a longer-term value proposition based on spin-outs, dispositions, or future revenue generation, including oil sands and carbonate bitumen interests held by Cavalier, and prospective shale gas acreage; and (iii) drilling rigs owned by Paramount's wholly-owned subsidiary Fox Drilling Limited Partnership ("Fox Drilling").

The Corporate segment is comprised of income and expense items, including general and administrative expense and interest expense, which have not been specifically allocated to Principal Properties or Strategic Investments.

Set forth below is a brief description of the events that have influenced the general development of Paramount's business over the past three fiscal years. For additional information on expected changes in 2015, see "NARRATIVE DESCRIPTION OF THE BUSINESS".

2012

In late 2011, Fox Drilling commenced the construction of two new built-for-purpose walking drilling rigs. The rigs were completed in early 2013 at a total cost of approximately $22 million each. To partially fund the cost of the rigs, a $30.0 million second tranche was added to Fox Drilling's non-revolving demand loan facility in January 2012. See "2014" section below for additional information regarding Fox Drilling's loan facilities.

During the second quarter of 2012, Paramount's wholly-owned subsidiary, Summit Resources, Inc. ("Summit"), closed the sale of all of its operated properties in North Dakota and all of its Montana properties for cash proceeds of approximately US$70 million.

In September 2012, Paramount issued 0.6 million Common Shares on a "flow-through" basis in respect of Canadian exploration expenses ("CEE") at a price of $31.00 per share and 1.2 million Common Shares on a "flow-through" basis in respect of Canadian development expenses ("CDE") at a price of $28.15 per share to a corporation controlled by the Company's Chairman and Chief Executive Officer for aggregate proceeds of $55.0 million.

In October 2012, Paramount completed a public offering, through a syndicate of underwriters, of 1.9 million Common Shares on a "flow-through" basis in respect of CEE at a price of $31.00 per share and 0.4 million Common Shares on a "flow-through" basis in respect of CDE at a price of $28.15 per share for aggregate gross proceeds of $70.0 million.

On December 4, 2012, Paramount completed a public offering in Canada of $300.0 million principal amount of 7⅝% senior unsecured notes due 2019 (the "2019 Notes") at par. Certain directors, officers, employees and associates of the Company purchased an aggregate of $9.6 million principal amount of 2019 Notes under the December 2012 offering. The trust indenture for the 2019 Notes is available on the SEDAR website.

2013

In February 2013, Summit closed the sale of its non-operated joint venture operations and lands in North Dakota for aggregate gross proceeds of approximately US$22 million. With the closing of this transaction, substantially all of Paramount's US assets and operations were disposed.

In March 2013, Paramount closed the sale of its properties in the Bistcho area of Alberta and the Cameron Hills area of the Northwest Territories for approximately $9 million.

Also in March 2013, Cavalier increased its demand loan facility with a syndicate of Canadian chartered banks (the "Cavalier Facility") to $40.0 million from $21.0 million. The Cavalier Facility is non-recourse to Paramount and is secured by all of the assets of Cavalier, including its oil sands and carbonate bitumen assets. For additional information regarding Cavalier, see "NARRATIVE DESCRIPTION OF THE

BUSINESS – RESERVES AND OTHER OIL AND GAS INFORMATION" and "APPENDIX E – CAVALIER OIL SANDS RESERVES, RESOURCES AND RELATED INFORMATION".

In May 2013, Paramount completed a public offering, through a syndicate of underwriters, of 4.0 million Common Shares at a price of $37.50 per share for aggregate gross proceeds of $150.9 million.

In June 2013, Paramount's bank credit facility (the "Credit Facility") was increased to $450 million and in November 2013 it was further increased to $600 million. See "2014" section below for additional information regarding the Credit Facility.

In 2013, Fox Drilling's existing demand loan facilities were repaid and replaced with a new $57.0 million non-revolving demand loan facility (the "Fox Drilling Facility"). See "2014" section below for additional information regarding Fox Drilling's loan facilities.

In October 2013, Paramount completed a public offering, through a syndicate of underwriters, of 1.1 million Common Shares on a "flow-through" basis in respect of CEE at a price of $44.00 per share for aggregate gross proceeds of $49.1 million. Concurrent with the public offering, Paramount issued 0.2 million Common Shares on a "flow-through" basis in respect of CEE at a price of $44.00 per share to the Company's Chairman and Chief Executive Officer and President and Chief Operating Officer and/or companies controlled by them, to certain other directors, officers, and employees of Paramount, and other persons for gross proceeds of approximately $10.8 million.

On December 11, 2013, Paramount sold an additional $150.0 million principal amount of its 2019 Notes at a premium price of $1,007.50 per $1,000 principal amount pursuant to a public offering in Canada. An entity that is an associate of the Chairman and Chief Executive Officer of the Company purchased an aggregate $3.0 million principal amount of the December 2013 issuance. Following this additional issuance, a total of $450 million principal amount of 2019 Notes are outstanding. The supplemental trust indenture for the additional 2019 Notes sold is available on the SEDAR website.

Throughout 2012 and 2013, Paramount's exploration and development activities primarily focused on drilling wells at Musreau, Smoky and Resthaven in the Kaybob Deep Basin and obtaining the necessary approvals for, and constructing a new 100% owned 200 MMcf/d deep cut natural gas processing facility at Musreau (the "Musreau Deep Cut Facility") and the deep cut expansion of the non-operated processing facility at Smoky (the "Smoky Deep Cut Facility").

2014

In the first quarter of 2014, Paramount sold its coal bed methane properties in the Chain-Delia area within the Southern COU in exchange for $11.7 million in shares of Marquee Energy Ltd. ("Marquee").

In June 2014, Paramount acquired all 338.3 million issued and outstanding common shares of MGM Energy not already owned in exchange for the issuance by Paramount of 1.1 million Common Shares. Immediately prior to the acquisition, Paramount owned 54.1 million common shares of MGM Energy. Through this acquisition, Paramount added approximately 1,300,000 (725,000 net) acres of undeveloped land in the Central Mackenzie Valley prospective for shale oil and natural gas and approximately 300,000 (155,000 net) acres of undeveloped land in the Mackenzie Delta prospective for natural gas.

In the second quarter of 2014, Paramount sold a 50 percent working interest in the Birch property within the Northern COU in exchange for $91.5 million cash.

In July 2014, Paramount issued 4.6 million Common Shares at a price of $60.00 per share and 0.9 million Common Shares on a "flow-through" basis in respect of CEE at a price of $74.40 per share for aggregate gross proceeds of $343.0 million, pursuant to a public offering. Concurrent with the public offering, Paramount issued 0.1 million Common Shares on a "flow-through" basis in respect of CEE at a price of $74.40 per share to Paramount's Chairman and Chief Executive Officer for gross proceeds of $7.4 million.

Paramount commenced delivering sales gas from the Musreau Deep Cut Facility in August 2014. The expanded Smoky Deep Cut Facility was operational in September 2014. See "NARRATIVE DESCRIPTION OF THE BUSINESS – PRINCIPAL PROPERTIES" for further details.

In October 2014, the Fox Drilling Facility was amended to provide additional capacity to partially fund the construction of two new drilling rigs. The amended facility is divided into two tranches. The first tranche ("Fox Tranche A") is a non-revolving demand loan with a principal amount of $45.8 million outstanding at December 31, 2014. Scheduled principal payments under Fox Tranche A are $8.2 million in each of 2015, 2016 and 2017, with the remaining balance payable in 2018.

The second tranche ("Fox Tranche B") is a non-revolving demand loan with a credit limit of $27.0 million that is available to be drawn to fund construction of the two new drilling rigs. At December 31, 2014, $5.1 million was drawn under Fox Tranche B. Once construction of the new drilling rigs is completed in 2015, scheduled quarterly principal repayments of Fox Tranche B will commence over a five year term.

Recourse and security for the Fox Drilling Facility is limited to Fox Drilling's rigs, including new drilling rigs being constructed, and drilling contracts with Paramount. Interest is payable at the bank's prime lending rate or bankers' acceptance rate, as selected at the discretion of the Company, plus an applicable margin.

Paramount's Credit Facility was increased in 2014 from $600 million to $900 million, which is available in two tranches. The first tranche ("Tranche A") has a credit limit and lender commitments of $800 million and is available on a revolving basis to November 30, 2015. In the event the revolving period is not extended, Tranche A would be available on a non-revolving basis for an additional year, at which time it would be due and payable. The second tranche ("Tranche B") is available on a revolving basis, has a credit limit of up to $100 million and is due November 30, 2015 in the event the due date is not earlier extended. The Credit Facility is secured by a first fixed and floating charge over substantially all of the assets of Paramount, excluding assets securing the Fox Drilling Facility and the Cavalier Facility. Balances drawn under Tranche B are secured by the pledge of certain of the Company's equity investments from time-to-time.

Borrowings under the Credit Facility bear interest at the lenders' prime lending rates, US base rates, bankers' acceptance rates, or LIBOR rates, as selected at the discretion of Paramount, plus an applicable margin which is dependent upon the Company's debt-to-cash flow ratio, the tranche under which borrowings are made and the total amount drawn. The maximum amount that Paramount may borrow under the Credit Facility is subject to periodic review and is dependent upon the Company's reserves, lenders' projections of future commodity prices, the value attributed by lenders to Paramount's other property, and the market value of equity investments pledged by Paramount from time-to-time under Tranche B, among other factors.

In 2014, the Company completed the drilling and completion of the initial large multi-well pads at the Musreau Montney development and the construction and start-up of the 200 MMcf/d Musreau Deep Cut Facility, resulting in increases in production and funds flow from operations towards the end of the year. See "NARRATIVE DESCRIPTION OF THE BUSINESS – PRINCIPAL PROPERTIES" for further details.

NARRATIVE DESCRIPTION OF THE BUSINESS

OVERVIEW

Paramount's Principal Properties are located primarily in Alberta and British Columbia. In 2014, approximately 75 percent of the Company's production on a Boe basis was natural gas.

The Company's ongoing exploration, development and production activities are intended to establish new reserves of natural gas, NGLs, oil, and bitumen and increase the productive capacity of existing fields. In order to optimize its operations and control costs, the Company increases ownership and contracted capacity in existing assets or constructs new assets as economic opportunities arise. Paramount strives to maintain a balanced portfolio of opportunities, increasing its working interest in low to medium risk projects and entering into joint venture arrangements on select exploration and development prospects. From time-to-time, Paramount enhances its exploration, development and production operations through strategic acquisitions of petroleum and natural gas assets and companies and dispositions of non-core assets.

At December 31, 2014, approximately 99 percent of Paramount's conventional proved and probable reserves and 100 percent of its probable oil sands bitumen reserves (held by Cavalier) were located in Alberta.

PRINCIPAL PROPERTIES

Paramount retained independent qualified reserves engineers to evaluate and prepare a report on 100 percent of its natural gas, NGLs, crude oil and bitumen reserves. McDaniel & Associates Consultants Ltd. ("McDaniel") evaluated the Company's reserves as at December 31, 2014 and reported on them in their report dated March 4, 2015. The Company's reserves volumes, production and petroleum and natural gas sales for the years ended December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Conventional Reserves (1)		
Proved		
Natural Gas (Bcf)	703.8	301.3
NGLs (MMBbl)	108.4	36.8
Oil (MMBbl)	1.1	0.7
Total (MMBoe)	226.8	87.7
Proved plus Probable		
Natural Gas (Bcf)	1,090.9	450.5
NGLs (MMBbl)	163.7	57.9
Oil (MMBbl)	1.5	0.9
Total (MMBoe)	347.1	133.8
Production (2) (3)		
Natural Gas (MMcf/d)	110.5	106.1
NGLs (Bbl/d)	5,482	2,498
Oil (Bbl/d)	632	726
Total (Boe/d)	24,524	20,914
Production Operated	87%	86%
Petroleum and natural gas sales ($ millions) (3)		
Natural gas revenue	192.7	138.3
NGLs revenue	132.5	68.1
Oil revenue	21.2	23.2
Royalty and sulphur revenue	3.6	2.9
Petroleum and natural gas sales	350.0	232.5
Wells Drilled		
Gross (4)	66	47
Net (5)	58	37

(1) Excludes 93.5 MMBbl of probable bitumen reserves related to Cavalier's initial 10,000 Bbl/d phase of the in-situ SAGD oil sands development.
(2) Sales volumes measured in marketable quantities, after processing and shrinkage.
(3) 2013 production and petroleum and natural gas sales include results of discontinued operations. Refer to the Company's management's discussion and analysis ("MD&A") for the year ended December 31, 2014 for additional information on discontinued operations.
(4) "Gross" is the number of wells in which Paramount has a working interest or a royalty interest that may be converted to a working interest.
(5) "Net" is the aggregate number of wells obtained by multiplying each gross well by Paramount's percentage of working interest.

Approximately 94 percent of Paramount's proved reserves and 89 percent of Paramount's proved plus probable reserves (excluding Cavalier's probable reserves) as at December 31, 2014 were attributable to its Kaybob COU. In addition, the Kaybob COU accounted for approximately 70 percent of the Company's total sales volumes in 2014.

Paramount's operations are focused on the large-scale development of its Deep Basin lands in west central Alberta, where the Company holds extensive multi-zone mineral rights to 1,186 (768 net) sections of land, including 364 (313 net) sections of Montney rights. The Company has invested in natural gas facilities and gathering systems in its Deep Basin developments to provide gathering and processing capacity for production volumes. Paramount also has exposure to early-stage exploration plays through its Duvernay lands in the Willesden Green area, shale gas lands in the Liard Basin and oil sands interests held by Cavalier.

The Company drilled a total of 158 (129 net) wells between January 1, 2012 and December 31, 2014, primarily in the Deep Basin. The Company's Deep Basin drilling activities are primarily focused on the Montney, Falher and Dunvegan formations, which are high pressure, liquids rich, tight gas formations. The Company estimates that well densities of up to ten or more wells per section may be required to recover 70 percent of the Montney resource from its Deep Basin lands, representing a multi-decade inventory of drilling locations.

Paramount commenced delivering sales gas from the Musreau Deep Cut Facility in August 2014 and has continued to increase production from its behind pipe wells. Total Company sales volumes averaged approximately 40,000 Boe/d in February 2015; the highest monthly average since the 2005 Trilogy Energy spin-out. Fourth quarter 2014 sales volumes increased 70 percent to 34,430 Boe/d compared to the same period in 2013. Fourth quarter liquids sales volumes increased 226 percent to 10,443 Bbl/d in 2014 compared to 3,204 Bbl/d in 2013, including 5,320 Bbl/d of condensate and oil, as incremental production from liquids-rich Montney wells was brought-on. The start-up of new deep cut processing facilities at Musreau and Smoky also resulted in higher recoveries of ethane, propane, and butane from natural gas streams.

NGLs transportation and fractionation capacity constraints have limited Paramount's ability to bring more Montney formation wells on production due to their high liquids content. The Company has entered into long-term firm-service agreements for the transportation of its production volumes and the fractionation of NGLs (which includes the de-ethanization of NGLs extracted from deep cut facilities). Expansions to third-party pipeline systems and NGLs processing facilities downstream of Paramount's properties are expected to be completed in 2015, which will provide the Company with access to incremental downstream capacities under these agreements. As processing and transportation bottlenecks are alleviated and the Company's condensate stabilization expansion is completed, the Company's production and funds flow from operations are expected to increase.

Kaybob – Musreau

As of February 28, 2015, the Company had 25 Montney wells at Musreau with production, and another 27 behind pipe wells awaiting production that are expected to be brought on as the Company's condensate stabilizer expansion starts up and downstream transportation and NGLs processing expansions are completed. An additional 14 wells were also being drilled, including 12 wells on two six-well Montney pads where drilling operations are scheduled to finish at the end of the first quarter. Paramount's Montney wells at Musreau have exhibited higher production rates of NGLs, including high-value condensate volumes, than the Company's Cretaceous wells in the area. These wells continue to be profitable despite the recent decrease in condensate and oil prices.

Drilling and completion activities in 2014 focused on two 10-well Montney pads and one 5-well Montney pad, all of which are located in the northern portion of the Company's Musreau area lands. The 3-20 10-well pad was completed in the third quarter and the second 10-well pad at 8-22 was completed in the fourth quarter. Drilling of the 5-well pad at 08-03 pad has been finished and the wells are scheduled to be completed later in 2015.

As of February 28, 2015, Paramount's two walking drilling rigs were finishing drilling operations on two six-well Montney pads located to the northeast of the Musreau Deep Cut Facility, where the Company is continuing to target high-condensate yields. Drilling on six-well pads reduces the time from spud to initial production compared to the larger 10-well pads, while continuing to realize the capital efficiencies of using multi-well sites. This includes minimizing mobilization and de-mobilization costs and lowering equipping and tie-in costs through the use of common facilities. These new pads have been laid out to allow an additional six wells to be drilled from the same site at a later date, after the commencement of production from the initial six wells.

The Alberta Energy Regulator recently approved new regulations applicable to the majority of Paramount's Deep Basin lands which will allow the drilling of as many Montney formation wells per section as needed to capture the resources. Having the flexibility to drill more wells provides opportunities to reduce the horizontal spacing of wells, to drill at different intervals within the 200 meter thickness of the Montney formation and to complete the heels of horizontal wells drilled into other sections, all of which will increase resource recoveries.

Grande Prairie - Karr

The Grande Prairie COU operates in the Peace River Arch area of Alberta, where its principal properties include Karr-Gold Creek and Valhalla. Activities in the Grande Prairie COU are currently focused at Karr-Gold Creek, where the Company has approximately 130 (113 net) sections of Montney rights that have exhibited similar reservoir and fluid characteristics to competitors' offsetting lands and the Company's Montney lands at Musreau, approximately six miles to the south. The Company has constructed a gathering system and 48 MMcf/d of compression and dehydration capacity and has focused its drilling programs on delineating the middle-Montney resources and preserving the mineral rights.

In the third quarter of 2014, incremental natural gas processing capacity became available at Karr-Gold Creek following the completion of a third-party pipeline. The incremental capacity has enabled new wells to be brought on and existing wells to produce more consistently. As a result, Grande Prairie sales volumes increased to 8,157 Boe/d in the fourth quarter of 2014.

As of February 28, 2015, the Company had 16 operated Montney wells on production, with an additional two wells scheduled to be tied-in and brought on production in 2015. The Company is planning a 40 MMcf/d expansion of the Karr-Gold Creek compression facility which is currently scheduled to be completed in the first quarter of 2016.

Deep Basin Infrastructure

Paramount's net owned and firm-service contracted natural gas processing capacities in the Deep Basin total approximately 343 MMcf/d as of March 4, 2015. This capacity will be used to process Paramount's production as well as unavoidably commingled third-party volumes for a fee. Paramount has also invested in gathering infrastructure and entered into firm-service arrangements with midstream providers downstream of its facilities to transport and process its liquids-rich Deep Basin production.

Processing Capacity	Gross Raw Gas Capacity (MMcf/d)	Net Paramount Raw Gas Capacity [(1)] (MMcf/d)
Musreau Deep-Cut Facility	200	200
Musreau Refrig Facility	45	45
Smoky Deep-Cut Facility	200	40
Karr capacity	40	40
Other capacity	64	18
	549	343

(1) Sales volumes will be lower due to shrinkage of natural gas during processing.

The Company's first natural gas processing facility in the Deep Basin, the 45 MMcf/d Musreau Refrig Facility, was re-commissioned in the first quarter of 2012. The Company's second major facility, the 200 MMcf/d Musreau Deep Cut Facility was constructed on the same site (the "Musreau Complex") and entered service in August 2014.

Paramount also completed the construction of an amine processing train (the "Amine Train") at the Musreau Complex in the fourth quarter of 2014 to treat sour production at the facility instead of at well sites. The Musreau Complex currently has condensate stabilization capacity of approximately 8,500 Bbl/d, which will increase to approximately 23,500 Bbl/d when Paramount starts-up a 15,000 Bbl/d expansion (the "Stabilizer Expansion"). Mechanical construction is nearing completion and the additional capacity is scheduled to be on-stream in the second quarter of 2015.

Paramount is a part-owner of a third-party operated natural gas processing plant at Smoky in Kaybob. The Company has increased its working interest in the facility to 20 percent and participated in an expansion, which increased capacity to 200 MMcf/d (40 MMcf/d net) and added deep cut processing. The expanded facility was operational in September 2014.

To continue the development of Paramount's liquids-rich Montney lands in the Deep Basin, the Company sanctioned the construction of two new wholly-owned 100 MMcf/d refrigeration plants in the summer of 2014. The plants will incorporate oversized condensate stabilization, amine processing and infrastructure components to allow for future expansions.

Front-end engineering and design for the new facilities is ongoing and the Company received regulatory approval for the first new plant in the first quarter of 2015. The ordering of long-lead time items for the first new plant has been temporarily deferred until the summer of 2015.

To ensure access to downstream transportation and fractionation, Paramount has secured incremental long-term firm-service capacity for the transportation of incremental natural gas, NGLs, as well as the $C3^+$ (defined below) fractionation capacity at Fort Saskatchewan.

Kaybob Deep Cut NGLs Extraction Process

The Company's deep cut NGLs extraction process, including the flow of production volumes through the Musreau Complex and downstream third-party NGLs facilities, is designed to operate as follows:

- Production volumes are transported from well sites via a Company-owned gathering system to the Musreau Complex.
- Condensate is separated from liquids-rich gas streams at the Musreau Complex inlet and treated through the condensate stabilizer system to remove lighter hydrocarbons, creating a higher value

stabilized pentanes-plus product ("$C5^{+}$") that is shipped through a third-party liquids pipeline system for sale. Lighter hydrocarbons are removed from the $C5^{+}$ through the stabilization process and returned to the gas stream.

- Following separation of the $C5^{+}$ volumes, the liquids-rich natural gas stream passes through the Amine Train to sweeten the gas and then flows into the Musreau Deep Cut Facility, where it is cooled to extract substantially all remaining NGLs from the gas stream. The Musreau Deep Cut Facility is designed to extract approximately 90 percent of the ethane and virtually all propane, butane and heavier hydrocarbons in the gas stream, creating an "ethane plus" NGLs product ("$C2^{+}$"). The $C2^{+}$ stream is then shipped through a third-party liquids pipeline system to Fort Saskatchewan.

- At the third-party NGLs fractionation facilities at Fort Saskatchewan, the $C2^{+}$ volumes are first processed through a de-ethanization process, where ethane is extracted and sold to a third party under a long-term ethane sales agreement, and the remaining stream of propane, butane and heavier hydrocarbons ("$C3^{+}$") is fractionated and sold.

- Following the extraction of NGLs, dry natural gas, with a heat content of approximately 1,010 Btu per standard cubic foot, is delivered from the Musreau Complex to a third-party natural gas pipeline system for sale.

Other Areas

Paramount began exploration activities on its Willesden Green property in southern Alberta in 2014. The Company has entered into a joint venture agreement that will increase its land position to 100 (54 net) sections, following the completion of earning obligations. As of February 28, 2015, four (2.0 net) Duvernay wells had been drilled, two of which have been completed.

The Company owns approximately 67 (34 net) sections of land in the Birch-Umbach area of Northeast British Columbia that are prospective for liquids-rich natural gas production from the Montney formation. The Company's activities at Birch have been directed towards drilling and producing new wells in order to evaluate well performance, including flow rates and liquids ratios. Following the second quarter 2014 sale of a 50 percent interest in the Birch property, the Company and its partner drilled four (2.0 net) wells, three of which were fracked by the end of 2014. Paramount is participating in the construction of new compression facilities at Birch to provide capacity to produce the wells.

STRATEGIC INVESTMENTS

General

Paramount's Strategic Investments are significant assets of the Company. As of December 31, 2014, the Company's Strategic Investments included:

i. investments in Trilogy (see Trilogy Energy Corp. section below), MEG Energy Corp. and other public and private corporations, including Marquee, RMP Energy Inc. and Strategic Oil & Gas Ltd.;

ii. oil sands and carbonate bitumen interests owned by Cavalier, including oil sands reserves and resources at Hoole, situated within the western portion of the Athabasca Oil Sands region, and carbonate bitumen holdings in Northeast Alberta, including at Saleski;

iii. five triple sized drilling rigs, including two triple sized walking rigs, which are operated by Fox Drilling; and

iv. shale gas holdings in the Liard and Horn River Basins in Northeast British Columbia and the Northwest Territories, including 133 net sections with potential from the Besa River shale gas formation.

Trilogy Energy Corp.

Trilogy is a public Canadian energy company with producing oil and natural gas assets primarily in the Kaybob area of Alberta. As at December 31, 2014, Paramount owned approximately 12.8 million common shares of Trilogy and 6.4 million non-voting shares of Trilogy, representing approximately 15 percent of Trilogy's equity and approximately 12 percent of its common shares as at such date. The market value of Paramount's investment in Trilogy was approximately $151 million as of December 31, 2014, based on the closing market price of Trilogy's shares on the TSX as of that date.

For the year ended December 31, 2014, Paramount accounted for its investment in Trilogy using the equity method. As a result, Paramount is required to separately disclose information concerning Trilogy's oil and gas reserves and future net revenue as at December 31, 2014 and certain costs incurred by Trilogy during 2014, pursuant to National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). This information is set out in APPENDIX D – TRILOGY ENERGY CORP. – NATIONAL INSTRUMENT 51-101 EQUITY INVESTMENTS DISCLOSURE.

Readers are cautioned that Paramount does not have any direct or indirect interest in, or right to, the reserves or future net revenue of Trilogy disclosed in APPENDIX D nor does Paramount have any direct or indirect obligations in respect of, or liability for, the costs incurred by Trilogy disclosed in APPENDIX D. The Company is a shareholder of Trilogy just like any other shareholder of Trilogy, and, accordingly, the value of the Company's investment in Trilogy is based on the trading price of Trilogy's shares on the TSX.

The attached APPENDIX D has been prepared based solely on publicly disclosed information contained in Trilogy's annual information form dated March 4, 2015. For additional information regarding Trilogy's reserves, properties and costs incurred on such properties, reference should be made to Trilogy's annual information form which is posted on SEDAR (www.sedar.com) and is not incorporated by reference in this annual information form.

Cavalier Energy Inc.

Cavalier was created in 2011 as a self-funding entity to execute the development of the Company's oil sands and carbonate bitumen assets. Cavalier holds approximately 220,000 net acres of Crown leases in the Western Athabasca region of Alberta.

Hoole Grand Rapids

Cavalier's initial focus is to develop the Grand Rapids formation in its 100 percent owned in-situ oil sands leases in the Hoole area of Alberta, which is located 10 kilometers northeast of Wabasca-Desmarais, Alberta. Since 2004, approximately $106 million has been invested through land acquisitions, stratigraphic drilling, engineering studies, and environmental field programs to bring this project (the "Hoole Project") to the development stage; including $20 million that was invested in 2014 to acquire 23 additional net sections of contiguous oil sands acreage.

Front-end engineering and design work for the initial 10,000 Bbl/d in-situ SAGD oil sands development covering approximately two sections of the Hoole oil sands leases ("Hoole Grand Rapids Phase 1") has been completed and Cavalier received regulatory approval for Hoole Grand Rapids Phase 1 in the second quarter of 2014. Construction will commence once funding has been secured and Cavalier's Board of Directors has sanctioned the project. .

An updated evaluation of the Hoole Project was prepared by McDaniel effective December 31, 2014. In the updated evaluation, 93.5 million barrels of probable undeveloped reserves were ascribed to Hoole Grand Rapids Phase 1 with a net present value of $363 million (before tax, discounted at 10 percent). In addition to these probable undeveloped reserves, this updated evaluation ascribes 1.2 billion barrels of economic contingent resources (best estimate) with a net present value of $2.4 billion (before tax, discounted at 10 percent) to Cavalier's 53 sections of additional Grand Rapids rights at Hoole that are not included in Hoole Grand Rapids Phase 1.

For additional information and reserves and resources definitions see "NARRATIVE DESCRIPTION OF THE BUSINESS – RESERVES AND OTHER OIL AND GAS INFORMATION" and "APPENDIX E – CAVALIER OIL SANDS RESERVES, RESOURCES AND RELATED INFORMATION".

Fox Drilling

Fox Drilling owns five triple-sized rigs, including two built-for-purpose walking rigs. These rigs are designed to drill the deep horizontal wells that industry is currently focusing on. During 2014, all five rigs were deployed on the Company's Deep Basin lands.

To support the Company's future drilling initiatives, Fox Drilling is completing the construction of two new triple-sized built-for-purpose walking rigs. The new rigs are expected to be commissioned in the fourth quarter of 2015 and cost approximately $25 million each. Fox Drilling's loan facilities were expanded in 2014 to provide partial funding for the new rigs.

Shale Gas

Paramount's shale gas holdings in the Liard and Horn River Basins in northeast British Columbia and the Northwest Territories include approximately 133 net sections of land with potential from the Besa River shale formation. Paramount continued the drilling of the Dunedin d-57-D exploratory shale gas well in 2014 to a total measured depth of 6,000 meters. While running production casing, the liner became stuck in the wellbore. Recovery operations to remove the liner materials were unsuccessful and further operations at the well have been deferred as land earning has been completed.

In late-February 2014, Paramount commenced drilling the d-71-G vertical exploratory shale gas well at Dunedin before suspending operations due to spring break-up. Drilling operations resumed in the fourth quarter and the well was drilled to targeted depth by mid-February 2015. Paramount then moved to the c-37-D well at La Biche where drilling operations will continue until spring break-up. The Company expects to return during the 2015/2016 winter season when access can be safely re-established and complete drilling operations on the well.

RESERVES AND OTHER OIL AND GAS INFORMATION

The reserves information provided below is derived from McDaniel's reports dated March 4, 2015 for Paramount's conventional reserves and for bitumen reserves held through Cavalier (collectively the "McDaniel Report"). The evaluation by McDaniel was prepared in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and NI 51-101.

The following tables set forth information relating to Paramount's working interest share of reserves, net reserves after royalties, and net present values as at December 31, 2014. The reserves are reported using forecast prices and costs. Columns and rows may not add due to rounding.

All evaluations of future net revenue are stated prior to any provisions for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned. It should not be assumed that the estimated future net revenue shown below is representative of the fair market value of Paramount's properties. There is no assurance that such price and cost assumptions will not differ materially from actual results. The reserves volumes of natural gas, crude oil, natural gas liquids, and bitumen provided herein are estimates only and there is no guarantee that the volumes will be recovered. Actual natural gas, crude oil, natural gas liquids and bitumen reserves may be greater than or less than the estimates provided herein.

Paramount's Audit Committee, comprised of independent board members, reviews the qualifications and appointment of McDaniel, Paramount's independent qualified reserves evaluator. The Audit Committee also reviews the procedures for providing information to the evaluator.

Reserves Information

Reserves Data

The following table summarizes Paramount's reserves at December 31, 2014.

	Conventional Reserves								*Non-Conventional Reserves*			
	Principal Properties								*Strategic Investments – Cavalier*		Total Company	
	Natural Gas		Light & Medium Crude Oil		Natural Gas Liquids		Total Conventional Reserves		*Bitumen (1)*		Total Reserves	
Reserves Category	Gross (Bcf)	Net (Bcf)	Gross (MBbl)	Net (MBbl)	Gross (MBbl)	Net (MBbl)	Gross (MBoe)	Net (MBoe)	*Gross (MBbl)*	*Net (MBbl)*	Gross (MBoe)	Net (MBoe)
Proved												
Developed Producing	187.6	177.3	852	724	24,172	20,586	56,295	50,862	-	-	56,295	50,862
Developed Non-producing	13.4	12.5	178	144	1,317	1,121	3,722	3,345	-	-	3,722	3,345
Undeveloped	502.8	477.5	78	62	82,921	71,275	166,795	150,928	-	-	166,795	150,928
Total Proved	703.8	667.3	1,108	929	108,410	92,982	226,812	205,134	-	-	226,812	205,134
Total Probable	387.2	357.7	418	319	55,326	39,184	120,273	99,126	*93,468*	*74,623*	213,741	173,749
Total Proved plus Probable	1,090.9	1,025.1	1,526	1,249	163,736	132,166	347,085	304,261	*93,468*	*74,623*	440,553	378,883

(1) Bitumen reserves relate to Cavalier's Hoole Grand Rapids Phase 1. See "APPENDIX E – CAVALIER OIL SANDS RESERVES, RESOURCES AND RELATED INFORMATION" for additional information.

Net Present Value of Future Net Revenue

The following table summarizes the net present values of future net revenue attributable to Paramount's reserves evaluated as at December 31, 2014. The net present values are reported before income tax and after income tax and have been discounted using rates of 0 percent, 5 percent, 10 percent, 15 percent and 20 percent and on a net unit value basis at a discount rate of 10 percent before income taxes. Future Net Revenue does not represent fair market value.

	Net Present Value of Future Net Revenues ($ millions)										Unit Value Before Tax Discounted at 10%
	Before Income Tax (discounted at)					After Income Tax (2) (discounted at)					
Reserves Category	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%	$/boe
Conventional Reserves – Principal Properties											
Proved											
Developed Producing	1,131	971	854	767	698	1,131	971	854	767	698	16.79
Developed Non-producing	72	58	49	43	38	72	58	49	43	38	14.78
Undeveloped	3,106	2,020	1,352	921	632	2,757	1,808	1,217	832	571	8.96
Total Proved	4,309	3,048	2,255	1,731	1,369	3,959	2,837	2,121	1,642	1,308	10.99
Total Probable	3,218	2,158	1,581	1,231	1,000	2,417	1,635	1,212	957	789	15.95
Total Proved plus Probable	7,527	5,206	3,836	2,962	2,369	6,376	4,472	3,333	2,599	2,097	12.61
Non-Conventional Reserves – Strategic Investments – Cavalier (1)											
Proved											
Developed Producing	-	-	-	-	-	-	-	-	-	-	-
Developed Non-producing	-	-	-	-	-	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-	-	-	-	-	-
Total Proved	-	-	-	-	-	-	-	-	-	-	-
Total Probable	*2,328*	*934*	*363*	*106*	*(19)*	*1,736*	*658*	*220*	*25*	*(68)*	*4.87*
Total Proved plus Probable	*2,328*	*934*	*363*	*106*	*(19)*	*1,736*	*658*	*220*	*25*	*(68)*	*4.87*
Total Company											
Total Proved	4,309	3,048	2,255	1,731	1,369	3,959	2,837	2,121	1,642	1,308	10.99
Total Probable	5,546	3,092	1,944	1,337	981	4,153	2,293	1,432	982	721	11.19
Total Proved plus Probable Reserves	9,855	6,140	4,199	3,068	2,350	8,112	5,130	3,553	2,624	2,029	11.08

(1) Non-Conventional reserves relate to Cavalier's Hoole Grand Rapids Phase 1. See "APPENDIX E – CAVALIER OIL SANDS RESERVES, RESOURCES AND RELATED INFORMATION" for additional information.

(2) Estimates of the after income tax value of future net revenue have been prepared based on before income tax reserves information and include assumptions and estimates of Paramount's tax pools and the sequences of claims and rates of claim thereon.

Future Net Revenue

The following table summarizes the total undiscounted future net revenue attributable to Paramount's reserves evaluated at December 31, 2014.

	Reserves Category ($ millions)					
	Proved			Proved plus Probable		
	Conventional Reserves	*Non-Conventional Reserves*		Conventional Reserves	*Non-Conventional Reserves*	
	Principal Properties	*Strategic Investments - Cavalier (1)*	Total Company	Principal Properties	*Strategic Investments - Cavalier (1)*	Total Company
Revenue	10,691	-	10,691	16,830	*7,898*	24,728
Royalties (2)	1,486	-	1,486	3,115	*1,630*	4,745
Operating Costs	1,910	-	1,910	2,946	*2,281*	5,227
Development Costs						
Principal Properties	2,876	-	2,876	3,117	-	3,117
Hoole Grand Rapids Phase 1 (1)	-	-	-	-	*1,641*	1,641
Well Abandonment Costs (3)	110	-	110	125	*18*	143
Future Net Revenue Before Income Tax	4,309	-	4,309	7,527	*2,328*	9,855
Income Taxes (4)	350	-	350	1,150	*592*	1,742
Future Net Revenue After Income Tax	3,959	-	3,959	6,376	*1,736*	8,112

(1) Non-Conventional reserves relate to Cavalier's Hoole Grand Rapids Phase 1. See "APPENDIX E – CAVALIER OIL SANDS RESERVES, RESOURCES AND RELATED INFORMATION" for additional information.
(2) Royalties include crown royalties, freehold royalties, overriding royalties, mineral taxes and net profit interest payments.
(3) See "NARRATIVE DESCRIPTION OF THE BUSINESS – RESERVES AND OTHER OIL AND GAS INFORMATION" for further information regarding reclamation costs.
(4) Estimates of the after income tax value of future net revenue have been prepared based on before income tax reserves information and include assumptions and estimates of Paramount's tax pools and the sequences of claims and rates of claim thereon.

Future Net Revenue by Production Group

The following table summarizes the net present value of future net revenue by production group on a unit value basis, before income tax, attributable to Paramount's net reserves evaluated at December 31, 2014. Amounts have been discounted at 10 percent.

Reserves Category	Production Group	Future Net Revenue Before Income Tax (discounted at 10%) ($ millions)	Unit Value Before Income Tax (discounted at 10%) ($/unit)
Proved	Conventional Reserves - Principal Properties		
	Natural Gas (including by-products but excluding solution gas from oil wells)	2,225	$3.35 / Mcf
	Light and Medium Crude Oil (including solution gas and other by-products)	30	$34.39 / Bbl
	Non-Conventional Reserves - Strategic Investments – Cavalier (1)		
	Bitumen	-	-
Total Proved		2,255	
Proved plus Probable	Conventional Reserves – Principal Properties		
	Natural Gas (including by-products but excluding solution gas from oil wells)	3,794	$3.72 / Mcf
	Light and Medium Crude Oil (including solution gas and other by-products)	43	$36.52 / Bbl
	Non-Conventional Reserves - Strategic Investments – Cavalier (1)		
	Bitumen	*363*	$4.87 / Bbl
Total Proved plus Probable		4,199	

(1) Bitumen reserves relate to Cavalier's Hoole Grand Rapids Phase 1. See "APPENDIX E – CAVALIER OIL SANDS RESERVES, RESOURCES AND RELATED INFORMATION" for additional information.

The following definitions and assumptions form the basis of classification for reserves presented in the McDaniel Report:

(a) Reserves are classified according to the degree of certainty associated with the estimates:

i. **Proved Reserves** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

ii. **Probable Reserves** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

(b) Each of the reserves categories (proved and probable) may be divided into developed and undeveloped categories:

i. **Developed Reserves** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

ii. **Developed Producing Reserves** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

iii. **Developed Non-producing Reserves** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

iv. **Undeveloped Reserves** are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

(c) **Gross Reserves** are defined as the Company’s working interest reserves before deduction of any royalties and without including royalty interests.

(d) **Net Reserves** are defined as the Company’s working interest reserves after deduction of royalties and including royalty interests.

Summary of Pricing and Inflation Rate Assumptions

Summaries of the December 31, 2014 pricing and inflation rate assumptions used in the McDaniel Report in calculating the net present value of future net revenue attributable to Paramount's reserves are as follows:

Forecast Prices and Costs		2015	2016	2017	2018	2019	2020	2021	Thereafter
U.S. Henry Hub Gas	(US$ / MMBtu)	3.30	3.80	4.05	4.30	4.55	4.85	5.10	+2 to 4% / year
AECO Spot	(Cdn$ / MMBtu)	3.50	4.00	4.25	4.50	4.70	5.00	5.30	+2 to 4% / year
WTI Crude Oil	(US$ / Bbl)	65.00	75.00	80.00	84.90	89.30	93.80	95.70	+2% / year
Edmonton Light Crude Oil	(Cdn$ / Bbl)	68.60	83.20	88.90	94.60	99.60	104.70	106.90	+2% / year
Edmonton Cond. & Natural Gasolines	(Cdn$ / Bbl)	72.60	87.30	93.10	98.80	103.90	109.10	111.40	+2% / year
Edmonton Butane	(Cdn$ / Bbl)	52.80	67.00	71.60	76.20	80.30	84.40	86.10	+2% / year
Edmonton Propane	(Cdn$ / Bbl)	26.10	36.50	44.50	49.30	51.80	54.70	56.20	+2% / year
Ethane	(Cdn$ / Bbl)	9.41	10.83	11.54	12.26	12.83	13.68	14.39	+2 to 4% / year
Natural Gas at Plantgate	(Cdn$ / MMBtu)	3.30	3.80	4.05	4.30	4.50	4.80	5.05	+2 to 4% / year
Edmonton Diluent	(Cdn$ / Bbl)	74.64	89.38	95.22	100.96	106.11	111.35	113.70	+2% / year
Netback Bitumen at Fieldgate	(Cdn$ / Bbl)	44.98	56.13	60.37	61.38	64.66	68.34	71.98	+2% / year
Inflation Rate	(% / year)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	+2% / year
Exchange Rate	(US$ / Cdn$)	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86

Paramount's 2014 weighted average realized prices before settlement of financial commodity contracts were $4.78/Mcf for natural gas, $92.28/Bbl for oil and $66.21/Bbl for NGLs. For additional information regarding Paramount's financial commodity contracts as at December 31, 2014, see "NARRATIVE DESCRIPTION OF THE BUSINESS – RESERVES AND OTHER OIL AND GAS INFORMATION".

The price of natural gas, NGLs and oil are determined by negotiations between buyers and sellers. The sales price received depends on quality, prices of competing fuels, distance to market, value of refined products, supply/demand balance and contract terms. The export of natural gas and oil is subject to rules and regulations set by the National Energy Board of Canada and the government of Alberta.

Paramount's natural gas portfolio primarily consists of sales priced at the Alberta spot market and California market and is sold in a combination of daily and monthly contracts. Paramount sells its condensate volumes in both stabilized and unstabilized condition, depending upon the location of production and the availability of stabilization capacity. Unstabilized condensate volumes trucked to receipt terminals typically receive prices based on the Edmonton Light Sweet price, adjusted for transportation and quality differentials. Stabilized condensate volumes delivered through pipelines receive prices for condensate quoted at Edmonton, adjusted for transportation and quality and density differentials, which are generally higher than prices for unstabilized volumes. As incremental stabilization capacity becomes available, a greater portion of volumes are expected to be sold in stabilized condition.

In addition, the Company may purchase and sell third-party products to provide operational flexibility in transportation, processing, or fractionation commitments, or at particular delivery points, and for customer diversification.

Reserves Reconciliation

The following table reconciles Paramount's gross reserves by principal product type for the year ended December 31, 2014.

	Conventional Reserves				*Non-Conventional Reserves*	
	Principal Properties				*Strategic Investments – Cavalier (1)*	Total Company
	Natural Gas (Bcf)	Light & Medium Crude Oil (MBbl)	Natural Gas Liquids (MBbl)	Total Conventional Reserves (Mboe)	*Bitumen (MBbl)*	Total Reserves (Mboe)
Proved						
January 1, 2014	301.3	680	36,777	87,677	-	87,677
Extensions and Improved Recoveries	438.8	583	72,694	146,411	-	146,411
Technical Revisions	18.0	130	940	4,070	-	4,070
Dispositions	(14.0)	(54)	-	(2,394)	-	(2,394)
Production	(40.3)	(231)	(2,002)	(8,953)	-	(8,953)
December 31, 2014	703.8	1,108	108,410	226,812	-	226,812
Probable						
January 1, 2014	149.2	206	21,067	46,136	*93,468*	139,604
Extensions and Improved Recoveries	281.6	240	41,090	88,258	-	88,258
Technical Revisions	(37.5)	(11)	(6,830)	(13,097)	-	(13,097)
Dispositions	(6.0)	(17)	-	(1,024)	-	(1,024)
December 31, 2014	387.2	418	55,327	120,273	*93,468*	213,741
Proved plus Probable						
January 1, 2014	450.5	885	57,844	133,813	*93,468*	227,281
Extensions and Improved Recoveries	720.4	823	113,784	234,669	-	234,669
Technical Revisions	(19.5)	120	(5,890)	(9,027)	-	(9,027)
Dispositions	(20.1)	(71)	-	(3,417)	-	(3,417)
Production	(40.3)	(231)	(2,002)	(8,953)	-	(8,953)
December 31, 2014	1,090.9	1,526	163,736	347,085	*93,468*	440,553

(1) Bitumen reserves relate to Cavalier's Hoole Grand Rapids Phase 1. See "APPENDIX E – CAVALIER OIL SANDS RESERVES, RESOURCES AND RELATED INFORMATION" for additional information.

Additional Information Relating to Reserves Data

Proved Undeveloped Reserves

The following table summarizes the Company's gross proved undeveloped reserves for the three most recent financial years.

	2012		2013		2014	
Product Type	First Attributed	Total	First Attributed	Total	First Attributed	Total
Conventional Reserves - Principal Properties						
Natural Gas (Bcf)	10.5	21.0	89.2	110.4	427.8	502.8
Light and Medium Crude Oil (MBbl)	-	-	-	-	78	78
Natural Gas Liquids (MBbl)	7,553	7,769	15,629	19,310	71,486	82,921

Reserves are classified as proved undeveloped if they meet the requirements prescribed by the COGE Handbook, and if they are expected to be recovered from known accumulations on previously undrilled acreage or they are reserves from existing wells where significant expenditure is required to render them capable of production.

Probable Undeveloped Reserves

The following table summarizes the Company's gross probable undeveloped reserves for the three most recent financial years.

	2012		2013		2014	
Product Type	First Attributed	Total	First Attributed	Total	First Attributed	Total
Conventional Reserves - Principal Properties						
Natural Gas (Bcf)	35.5	58.1	54.2	67.1	276.5	313
Light and Medium Crude Oil (MBbl)	-	-	-	-	31	31
Natural Gas Liquids (MBbl)	11,361	11,942	9,561	11,828	40,506	45,818
Non-Conventional Reserves - Strategic Investments – Cavalier (1)						
Bitumen (MBbl)	93,091	93,091	377	93,468	-	93,468

(1) Bitumen reserves relate to Cavalier's Hoole Grand Rapids Phase 1. See "APPENDIX E – CAVALIER OIL SANDS RESERVES, RESOURCES AND RELATED INFORMATION" for additional information.

Reserves are classified as probable undeveloped when they are less certain to be recovered than proved undeveloped reserves as prescribed by the COGE Handbook.

In November 2012, Cavalier submitted a regulatory application with the Energy Resources Conservation Board ("ERCB") and Alberta Environment and Sustainable Resources Development for the initial development of approximately two sections of land at its Hoole oil sands property. The submission allowed for the reclassification of approximately 93 million barrels of Economic Contingent Resources to probable undeveloped reserves. In 2014 Cavalier received regulatory approval for the initial development – Hoole Grand Rapids Phase 1. The current development plan commences with the 10,000 Bbl/d Hoole Grand Rapids Phase 1, and is followed by three additional 35,000 Bbl/d phases by 2029. Based on this development plan, startup of Hoole Grand Rapids Phase 1 is expected to occur in late-2018. In order to reclassify the probable undeveloped reserves to proved producing reserves, Cavalier will need to receive sanctioning of the project by Cavalier's Board of Directors and raise sufficient capital to construct facilities (see "FUTURE DEVELOPMENT COSTS" below), and commence production. While Cavalier is working to move this project forward and currently plans to develop Hoole Grand Rapids Phase 1, there is no certainty that it will be commercially viable to produce any portion of the reserves or resources (see "APPENDIX E – CAVALIER OIL SANDS RESERVES, RESOURCES AND RELATED INFORMATION" and "RISK FACTORS" for additional information regarding this project and risks associated with the project).

Future Development Costs

The following table provides the undiscounted estimated future development costs deducted in the estimation of future net revenue.

	Future Development Costs (undiscounted, $ millions)						
Reserve Category	2015E	2016E	2017E	2018E	2019E	Remainder	Total
Proved							
Conventional Reserves - Principal Properties	180	640	692	698	666	-	2,876
Non-Conventional Reserves - Strategic Investment – Cavalier (1)							
Hoole Grand Rapids Phase 1	-	-	-	-	-	-	-
Total Proved	180	640	692	698	666	-	2,876
Proved plus Probable							
Conventional Reserves - Principal Properties	207	712	751	749	697	1	3,117
Non-Conventional Reserves - Strategic Investment – Cavalier (1)							
Hoole Grand Rapids Phase 1	-	*106*	*216*	*193*	*73*	*1,054*	*1,641*
Total Proved plus Probable	207	818	967	942	770	1,055	4,758

(1) Non-Conventional reserves relate to Cavalier's Hoole Grand Rapids Phase 1. See "APPENDIX –E - CAVALIER OIL SANDS RESERVES, RESOURCES AND RELATED INFORMATION" for additional information.

Paramount expects that funding for future development costs associated with its Principal Properties will come from the Company's funds flow from operations, credit facilities, and, if required, equity or debt issues and the sale of non-core assets. Paramount does not anticipate that the costs of funding referred to above will materially affect the disclosed reserves and future net revenues of the Company or will make the development of any of the Company's properties uneconomic. The Company continues to evaluate its options to fund the oil sands development project at Hoole, including utilization of the Cavalier Facility, Cavalier equity financings, joint ventures, other capital markets related transactions, and if necessary, changing the scope and pace of development of the project.

Significant Factors or Uncertainties Affecting Reserves Data

Estimating reserves is a complex process requiring significant judgments based on available geological, geophysical, engineering and economic data. As additional data from development activities, including production results, becomes available and as internal or external economic conditions change, reserves estimates may change substantially. Paramount's reserves can be materially affected by changes in internal and external factors, including, without limitation: commodity prices; access to processing, fractionation (including de-ethanization) and transportation capacity; available capital; well performance; royalties and other costs and regulatory approvals and requirements.

The ongoing advancement and progression of the Deep Basin Montney resource play through drilling by Paramount and other industry participants, together with Paramount's significant investments in its Deep Basin development (including the construction of processing facilities and gathering systems, the sanctioning of additional plants in the Kaybob area and the securing of long-term firm-service downstream transportation and NGLs processing capacities) resulted in the Company recording significant increases in its undeveloped reserves in 2014. The Company's undeveloped reserves are primarily related to wells in the Kaybob and Grande Prairie COUs that are in the process of being drilled, or are expected to be drilled within the next few years, in order to feed such facilities and capacities. The development of these undeveloped reserves will depend upon, among other things, future commodity prices, availability of capital and access to processing, fractionation and transportation capacity.

See "RISK FACTORS - RESERVE AND RESOURCE ESTIMATES", in particular, as well as the other risk factors herein.

Other Oil and Gas Information

Oil and Gas Properties and Wells

For a description of Paramount's important properties, plants and facilities, see "NARRATIVE DESCRIPTION OF THE BUSINESS – PRINCIPAL PROPERTIES". As at December 31, 2014, Paramount had an interest in 1,187 gross (575 net) producing and non-producing[(1)] oil and natural gas wells as follows:

	Producing		Non-producing [(1)]	
	Gross [(2)]	Net [(3)]	Gross [(2)]	Net [(3)]
Crude oil wells				
Alberta	130	50.8	40	17.2
British Columbia	1	0.6	-	-
Saskatchewan	-	-	1	1.0
Northwest Territories	-	-	3	1.7
Subtotal	131	51.4	44	19.9
Natural gas wells				
Alberta	574	259.1	323	185.6
British Columbia	27	9.7	40	26.6
Saskatchewan	4	-	4	3.0
Northwest Territories	-	-	40	19.4
Subtotal	605	268.8	284	234.5
Total	736	320.2	451	254.4

(1) "Non-producing" wells are wells which Paramount considers capable of production but which, for a variety of reasons including, but not limited, to a lack of markets and lack of development, cannot be placed on production at the present time.
(2) "Gross" wells means the number of wells in which Paramount has an interest.
(3) "Net" wells means Paramount's gross wells multiplied by Paramount's percentage working interest therein.

Properties With and Without Attributed Reserves

The following table sets forth Paramount's land position at December 31, 2014. The Company's holdings at December 31, 2014 totaled 3,298,434 (1,923,224 net) acres. Gross acreage is calculated only once per lease or license of petroleum and natural gas rights ("Lease") regardless of whether or not Paramount holds a working and/or royalty interest, or whether or not the Lease includes multiple prospective formations. If Paramount holds more than one Lease under the same geographical area, Paramount then records acreage for both Leases.

	Acreage Assigned Reserves		Undeveloped Acreage	
	Gross (1)	Net (2)	Gross (1)	Net (2)
Alberta				
Paramount	351,446	195,449	830,882	467,013
Cavalier (3)	1,440	1,440	219,189	216,629
British Columbia	3,447	3,289	188,315	124,258
Saskatchewan	3,210	640	4,953	3,677
Northwest Territories	-	-	1,695,552	910,829
Total	359,543	200,818	2,938,891	1,722,406

(1) "Gross" acres means the total acreage in which Paramount has an interest.
(2) "Net" acres means Paramount's gross working interest acres multiplied by Paramount's working interest therein.
(3) Contingent Resources and Contingent Resources (Technology Under Development) acreage held by Cavalier is included in undeveloped acreage. See "APPENDIX E – CAVALIER OIL SANDS RESERVES, RESOURCES AND RELATED INFORMATION" for additional information and definitions.

As of December 31, 2014, Paramount had approximately 336,296 (263,680 net) acres of undeveloped land due to expire in 2015. The actual acreage that will expire in 2015 may be less than these amounts to the extent Paramount is able to continue Leases through drilling or farm outs prior to their expiry.

Paramount has approximately 112,000 (90,000 net) acres prospective for shale gas in the Liard and Horn River Basins in Northeast British Columbia and the Northwest Territories.

In the second quarter of 2014, Paramount acquired all of the common shares of MGM Energy not already owned. Through the acquisition, Paramount added approximately 1,300,000 (725,000 net) acres of undeveloped land in the Central Mackenzie Valley area of the Northwest Territories prospective for shale oil and natural gas and approximately 300,000 (155,000 net) acres of undeveloped land in the Mackenzie Delta area of the Northwest Territories prospective for natural gas.

Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

As part of Alberta's New Royalty Framework announced on October 25, 2007, Alberta Energy introduced Shallow Rights Reversion ("SRR") for Alberta Crown Petroleum and Natural Gas Agreements ("P&NG Agreements"), pursuant to which mineral rights in all zones above the shallowest producing zone within the P&NG Agreement would revert to the Crown. SRR currently applies to all P&NG Agreements issued after January 1, 2009. In 2012 Alberta Energy was also going to begin sending Shallow Rights Reversion Notices ("SRR Notices") for P&NG Agreements that were issued prior to January 1, 2009, however, this has now been put on indefinite hold pursuant to Alberta Energy Information Letter (IL 2011-18) dated April 16, 2013.

Paramount's undeveloped acreage in the Northwest Territories and shale gas acreage in the Liard and Horn River Basins will require significant capital to explore, delineate and develop. In addition, the Company may experience operational challenges and higher exploration, delineation and development costs due to the geographic location, weather conditions, formation depth and minimal infrastructure in the region. There are no assurances that these assets in the Northwest Territories and the Liard and Horn River Basins will generate earnings, operate profitably, be developed, if at all, or provide a return on investment in the future. For additional information on the Company's shale gas holdings, see "NARRATIVE DESCRIPTION OF THE BUSINESS – STRATEGIC INVESTMENTS".

The development of oil sands and carbonate acreage, held by Cavalier, will require regulatory approvals and significant capital to construct and operate facilities to recover the bitumen. See "APPENDIX E – CAVALIER OIL SANDS RESERVES, RESOURCES AND RELATED INFORMATION" AND "RISK FACTORS – EXPLORATION AND DEVELOPMENT OF OIL SANDS AND CARBONATE BITUMEN

ASSETS" for further information regarding development of the oil sands and carbonate bitumen acreage and the associated risks.

Forward Contracts

The nature of Paramount's operations results in exposure to fluctuations in commodity prices, currency exchange rates and interest rates. Paramount monitors and, from time-to-time, utilizes derivative financial instruments and/or physical forward delivery contracts to hedge its exposure to these risks. The Company did not have any financial commodity contracts in place at December 31, 2014.

Pipeline Transportation and Production Processing Commitments

As part of normal business operations, the Company has entered into firm-service agreements for the transportation of natural gas and NGLs and for the processing and fractionation of production volumes (see "NARRATIVE DESCRIPTION OF THE BUSINESS"). The Company renews or amends existing agreements and enters into new agreements from time-to-time based on forecast capacity requirements for forthcoming periods.

At December 31, 2014, the Company's natural gas transportation commitments exceeded forecast production of the Company's proved natural gas reserves, based on the December 31, 2014 McDaniel Report, by approximately 29 MMcf/d in 2015 and averaging 66 MMcf/d per year in the four years thereafter. The Company's NGLs transportation commitments exceeded forecast production of the Company's proved NGLs reserves, based on the December 31, 2014 McDaniel Report, by an average of 11,900 Bbl/d per year over the next five years. The Company's natural gas processing commitments exceeded forecast production of the Company's proved natural gas reserves, based on the December 31, 2014 McDaniel Report, by an average of 40 MMcf/d per year over the next five years. The Company's fractionation commitments exceeded forecast production of the Company's proved NGLs reserves, based on the December 31, 2014 McDaniel Report, by an average of 9,600 Bbl/d per year for the next five years. The aggregate estimated fees in respect of the differences described above would average $42 million per year over the next five years. However, forecast production of the Company's proved plus probable reserves per the McDaniel Report is higher than forecast production from proved reserves used for the purposes of calculating the differences and fees described above.

The production, processing, transportation, and fractionation of natural gas and NGLs are interdependent and the Company's ability to fulfill each commitment could be impacted by well performance and disruptions and constraints at the Company's and/or at third-party facilities and pipelines. The Company could experience a financial loss and its operations could be adversely affected if Paramount is unable to fulfill its commitments through its operations or, where necessary, amend its commitments or assign any excess capacity to one or more third-parties. Additional disclosure related to such commitments can be found in the Company's audited consolidated financial statements as at and for the year ended December 31, 2014, which can be found under the Company's profile on the SEDAR website at www.sedar.com.

Abandonment and Reclamation Costs

Abandonment and reclamation costs for Paramount's wells, facilities, pipelines, and associated surface leases and roads are estimated by incorporating assumptions regarding expected costs of remediation, decommissioning, abandonment and reclamation, as well as the salvage values of existing equipment. These costs are adjusted to reflect working interests held, and are discounted in accordance with the requirements of NI 51-101. Costs and salvage values are calculated for individual assets and aggregated to determine the total net liability. In estimating these costs and salvage values, reference is made to historical costs and values, internal estimates, third-party environmental reports, and publications including the Alberta Energy Regulator's Directives 006 and 011, as well as the Material Price Catalogue (published annually by the Petroleum Accountants Society of Canada). If these third-party estimates are believed to be inappropriate, internally generated estimates are used based on previous Company experience.

During 2014, Paramount incurred approximately $4.6 million on environmental remediation, reclamation and regulatory compliance activities.

As at December 31, 2014, the Company had approximately 662 net wells, including service wells, for which abandonment and reclamation costs are expected to be incurred.

The Company's estimates of abandonment and reclamation costs for surface leases, wells, facilities, pipelines, and roads are $287 million and $100 million, undiscounted and discounted at 10 percent, respectively. The future net revenue disclosed in this annual information form does not include an allowance for abandonment and reclamation costs for surface leases, facilities, pipelines and roads.

For the Company's Conventional properties, the McDaniel Report deducted $125 million (undiscounted) and $22 million (discounted at 10 percent) for down hole abandonment costs for wells only, on a total proved plus probable basis (Cavalier: $18 million undiscounted and $2 million discounted at 10 percent).

Abandonment and reclamation costs for the next three years are not expected to be material and are expected to be between $3 million to $5 million per year. For fiscal 2015, the Company has budgeted approximately $5 million for abandonment and reclamation activities.

Tax Horizon

Based on the current tax regime, current commodity prices, the Company's available tax pools, assumptions of production and anticipated levels of funds flow from operations and capital expenditures, Paramount does not expect to be cash taxable in the near future (see "RISK FACTORS – GOVERNMENT REGULATION").

Costs Incurred

The following table summarizes the costs incurred by Paramount for property acquisitions and exploration and development costs in 2014.

Cost Type (1) ($ millions)	2014	Q4	Q3	Q2	Q1
Acquisitions (corporate and property)					
Unproved properties	30	23	3	2	2
Exploration	244	37	76	67	64
Development (including facilities)	641	201	157	149	134
Strategic Investments – Cavalier (2)	24	1	21	1	1
Total	939	262	257	219	201

(1) Excludes corporate asset capital expenditures (e.g. computer hardware, furniture and fixtures, etc.), and drilling rig capital expenditures
(2) Includes the acquisition of approximately 23 net sections of additional undeveloped land contiguous to Cavalier's existing lands at Hoole for $20 million in the third quarter of 2014.

Exploration and Development Activities

The following table summarizes the results of Paramount's drilling activity for the year ended December 31, 2014. The working interest in certain of these wells may change after payout.

	Gross (1)	Net (2)
Development Wells (3)		
Gas	49	43.9
Oil	4	2.2
Subtotal	53	46.1
Exploratory Wells (4)		
Gas	12	11.5
Oil	1	0.5
Subtotal	13	12.0
Total Wells	66	58.1

(1) "Gross" is the number of wells in which Paramount has a working interest or a royalty interest that may be converted to a working interest.
(2) "Net" is the aggregate number of wells obtained by multiplying each gross well by Paramount's percentage of working interest.
(3) "Development Well" is a well drilled within or in close proximity to a discovered pool of petroleum or natural gas.
(4) "Exploratory Well" is a well drilled either in search of a new and as yet undiscovered pool of petroleum or natural gas or with the expectation of significantly extending the limit of a pool that is partly discovered.

Paramount's 2015 capital budget totals $400 million, focused on the Company's Deep Basin development and maintaining the optionality of future growth initiatives. The Company is continuing its planning and detailed engineering work for the construction of new natural gas processing facilities in the Deep Basin. The Company's capital plan remains flexible and activity levels may be adjusted depending on commodity prices and other factors.

Production Estimates

The following table summarizes the total estimated gross production for 2015 based on the McDaniel Report.

	Estimated Production (Gross)	
	Proved	Probable
Natural Gas (MMcf)	57,406	11,112
Light and Medium Crude Oil (MBbl)	260	25
Natural Gas Liquids (MBbl)	7,996	1,894
Total Production (MBoe)	17,823	3,771

The Company continues to increase its production and expand its gathering and processing capacity at the Musreau field in the Kaybob COU (see "NARRATIVE DESCRIPTION OF THE BUSINESS – PRINCIPAL PROPERTIES"). During 2014, actual production at Musreau was 4,953 MBoe comprised of 22.0 Bcf of natural gas, 1,291 MBbl of NGLs and 0.2 MBbl of oil. McDaniel's estimated gross production in 2015 from the Musreau field is 12,705 MBoe (Proved) and 15,711 MBoe (Proved plus Probable), or approximately 71 percent and 73 percent of total production for the Company, respectively.

Production History

The following table summarizes daily sales volume results for Paramount before the deduction of royalties on a quarterly and annual basis for 2014.

Sales [(1)]	2014	Q4	Q3	Q2	Q1
Natural Gas (MMcf/d)	110.5	143.9	93.6	99.4	104.7
Light and Medium Crude Oil (Bbl/d)	632	496	801	730	500
Natural Gas Liquids (Bbl/d)	5,482	9,947	5,532	3,292	3,079

(1) Sales volumes measured in marketable quantities, after processing and shrinkage.

The following table summarizes Paramount's average per-unit netbacks, by product, on a quarterly and annual basis for 2014.

	Netback – 2014				
	2014	Q4	Q3	Q2	Q1
Natural gas (including by-products) ($/Mcfe)					
Revenue [(1)]	6.45	5.21	6.86	7.04	7.52
Royalties	(0.29)	(0.22)	(0.25)	(0.29)	(0.47)
Operating expense [(2)]	(1.30)	(1.14)	(1.26)	(1.34)	(1.57)
Transportation and NGLs processing	(0.67)	(0.60)	(0.88)	(0.64)	(0.60)
Netback	4.19	3.25	4.47	4.77	4.88
Conventional oil (including by-products) ($/Boe)					
Revenue	78.99	51.71	83.25	91.93	87.03
Royalties	(21.11)	(23.75)	(16.53)	(27.91)	(19.70)
Operating expense [(2)]	(25.06)	(40.98)	(11.77)	(25.49)	(30.26)
Transportation and NGLs processing	(2.24)	(3.54)	(0.91)	(2.96)	(2.43)
Netback	30.58	(16.56)	54.04	35.57	34.64

(1) Sales volumes measured in marketable quantities, after processing and shrinkage.
(2) Operating expense include all costs related to the operation of wells, Paramount's facilities and gathering systems. Processing revenue has been deducted from these costs.

The Company realized a $1.1 million loss associated with oil and natural gas financial commodity contracts in fiscal 2014. This loss has not been reflected in the Netback tables above.

The following table summarizes sales volumes by Corporate Operating Unit for the year ended December 31, 2014.

	Natural Gas (MMcf)	Light and Medium Oil (MBbl)	Natural Gas Liquids (MBbl)
Kaybob	28,815	7	1,446
Grande Prairie	9,095	179	479
Northern	1,107	-	7
Southern	1,302	45	69
Total	40,319	231	2,001

GENERAL

Competitive Conditions, Seasonality, and Trends

Competitive conditions affecting Paramount are described under the "RISK FACTORS" section of this annual information form.

The development and exploration of oil and natural gas reserves, including the drilling, completion and tie-in of wells, and road, lease and facility construction, is dependent on access to areas where operations are to be conducted. Winter-access only areas and seasonal weather variations, including freeze-up, break-up and wet ground conditions, affect access in certain circumstances. In addition, the seasonal accessibility of certain locations increases competition for equipment and personnel during those periods.

The oil and gas industry continues to develop new technologies that improve the recoverability of reserves. In particular, multi-stage hydraulically-fractured horizontal wells have increased the productivity and economic returns of wells. Reservoirs floods, polymer injection, water or oil based fractionation fluids, and carbon dioxide ("CO_2") injection techniques have also been used to increase recoverable reserves.

Employees

At December 31, 2014, Paramount had 189 full-time head office employees and 109 full-time employees at field locations. The Company also engages a number of contractors and service providers.

Environment, Health and Safety

Paramount's oil and gas operations are governed by environmental requirements under Canadian federal, provincial, territorial and municipal laws that, among other things, restrict and/or prohibit the release of emissions or pollutants, regulate the storage, handling, transportation and disposal of various substances produced or utilized in association with oil and gas industry operations, and require Paramount to remedy the effect of its activities on the environment at current and former operating sites (including through the proper abandonment and decommissioning of wells, pipelines, facilities, and roads and the remediation and reclamation of associated lands). See "NARRATIVE DESCRIPTION OF THE BUSINESS – RESERVES AND OTHER OIL AND GAS INFORMATION" AND "RISK FACTORS – COMPLIANCE WITH AND CHANGES TO ENVIRONMENTAL, HEALTH AND SAFETY LAWS AND REGULATIONS". Paramount is also required to comply with a wide range of regulatory requirements designed to ensure the health and safety of its workers and other stakeholders who may be impacted by its operations. Paramount has implemented monitoring, reporting and compliance programs to address environmental, health and safety issues in its operations, and conducts ongoing inspections and assessments, in an effort to ensure that applicable regulatory standards are met. In addition, contingency and response plans have been put in place to deal with environmental incidents and other emergency situations.

Paramount has a Health, Safety and Environment Policy (the "HSE Policy") which forms an integral part of the business operations of the Company and provides a framework pursuant to which the Company has developed a comprehensive management system (the "HSE Management System") containing specific policies and procedures to address environmental, health and safety matters associated with Paramount's operations. The Company is committed to the prevention of incidents in all phases of its operations that could cause harm to people, property loss or an adverse impact on the environment.

Paramount's HSE Policy and HSE Management System emphasize the Company's responsibility to make environmental, health and safety protection a consistent component of its decision-making processes and requires its management, employees, contractors, consultants and other parties performing work on behalf of Paramount to act in accordance with the Company's HSE Policy. Paramount's managers and supervisors are required to assess the potential effects of their projects and to integrate protective measures to prevent environmental, health or safety incidents from occurring as a result of Paramount's business activities. Managers and supervisors also are expected to provide training and to be prepared to respond safely and effectively to an environmental, health or safety incident. An HSE Steering Committee has been established to ensure the proper implementation and functioning of Paramount's HSE Management System, and to endeavour to achieve continuous improvement on environmental, health and safety matters. Members of the HSE Steering Committee include Paramount's four Corporate Operating Officers and managers of Paramount's health, safety and environment, drilling/completions and facilities engineering/construction departments.

Paramount's environmental, health and safety policies and programs are monitored by a committee of the Board of Directors, the "Environmental, Health and Safety Committee", which is comprised of three non-management directors of the Company. The duties and responsibilities of the committee are to:

- review and monitor the environmental, health and safety policies and activities of Paramount on behalf of the Board of Directors;

- recommend actions for developing policies, programs and procedures to ensure that the principles contained in the Corporation's HSE Policy are being adhered to and achieved;

- review with management any material environmental, health and safety issues that have arisen in the course of the Company's operations to determine, on behalf of the Board of Directors, that Paramount is taking all necessary steps and exercising all necessary due diligence both in respect of these specific issues and in carrying out its environmental, health and safety responsibilities generally; and

- review and report to the Board of Directors on the sufficiency of the resources available to fulfill the environmental, health and safety responsibilities of the Company.

The Environmental, Health and Safety Committee meets at least semi-annually and receives reports from management with respect to the above matters and in particular relative to Paramount's compliance with health, safety and environmental laws and regulations, and the Company's management of its ongoing abandonment, reclamation, remediation and similar obligations.

Greenhouse Gas Reporting and Reduction Obligations

Paramount is required under Canadian federal legislation to report its aggregate emissions of greenhouse gases ("GHGs") and certain other substances for the purposes of the National Pollutant Release Inventory. Both the *Canadian Environmental Protection Act, 1999* and the Alberta *Specified Gas Reporting Regulation* impose an additional obligation to report GHG emissions from facilities that emit more than 50,000 tonnes of carbon dioxide equivalent ("CO_{2e}") per year. As Paramount's Musreau Refrig Facility and Musreau Deep Cut Facility are currently licensed to emit a combined 290,000 tonnes of CO_{2e} per year, Paramount will be subject to reporting obligations in respect of these facilities under these regulations.

The Alberta government also imposes GHG emission intensity limits on industrial facilities pursuant to the *Specified Gas Emitters Regulations* (the "SGER"). Under the SGER, facilities that have 100,000 or more tonnes of GHG emissions in 2003 or in any subsequent year are required to reduce their GHG emissions intensity (i.e. the quantity of GHG per unit of production) from emissions intensity baselines that are established in accordance with the SGER. For a new facility, its baseline emissions intensity is generally established in its third year of operations, and it is required to reduce its emission intensity from this baseline in annual 2% increments beginning in the fourth year of commercial operation until the maximum 12% reduction requirement is reached.

There are three ways to comply with emission reduction requirements under the SGER: i) actual physical reduction in GHG emissions intensity; ii) purchasing Alberta-based emission offset credits and/or emission performance credits; or iii) making a payment of $15 per excess tonne of GHG emissions to the Government of Alberta's Climate Change and Emissions Management Fund.

As the Musreau Refrig Facility and Musreau Deep Cut Facility are licensed to emit GHGs in excess of the 100,000 tonnes/yr limit prescribed under the SGER, the Company believes it will have emission reduction obligations under this regulation once these facilities' baseline emission intensities have been established. Paramount is evaluating its options to comply with these regulatory requirements.

The Government of Alberta indicated in its 2008 Provincial Energy Strategy that it was considering imposing stricter emission intensity standards and higher excess emissions compliance payment requirements under the SGER. However, to date no such amendments have been announced.

Under Alberta Energy Regulator's Directive 60, Paramount has developed and implemented measures to detect and repair fugitive leaks of methane and other hydrocarbons from Company facilities. The Company has not incurred any material costs in implementing and administering this program.

In 2008, British Columbia implemented a carbon tax that applies to the purchase or use of fossil fuels by end users in the province and is designed to encourage individuals, businesses, and industries to consume less fossil fuel and thus reduce the emission of GHGs. Accordingly, to the extent Paramount consumes fossil fuels as part of its exploration, development and production operations in British Columbia, the Company is required to pay a carbon tax to the provincial government. In 2009, British Columbia imposed GHG reporting obligations pursuant to regulations under its Greenhouse Gas Reduction (Cap and Trade) Act that are applicable to facilities that emit more than 10,000 tonnes CO_{2e}/yr. Paramount does not have an interest in any oil and gas facilities in British Columbia whose emissions exceed this amount and therefore has no current reporting obligations under this legislation.

The Company could become subject to additional reduction obligations under federal or provincial legislation if and when such legislation is enacted. See "RISK FACTORS – COMPLIANCE WITH AND CHANGES TO ENVIRONMENTAL, HEALTH AND SAFETY LAWS AND REGULATIONS" for additional information regarding government initiatives to reduce GHG.

DIRECTORS AND OFFICERS

The following information is provided for each director and executive officer of Paramount as at the date of this annual information form. Each director will serve until the next annual meeting of Shareholders or until his or her respective successor is elected or appointed.

DIRECTORS

Name and Municipality of Residence	Director Since	Principal Occupation for Past Five Years
Clayton H. Riddell (1) (7) Calgary, Alberta, Canada	1978	Chairman of the Board and Chief Executive Officer, Paramount
James H.T. Riddell (1) (3) (7) Calgary, Alberta, Canada	2000	President and Chief Operating Officer, Paramount
James G.M. Bell (2) (4) (5) Calgary, Alberta, Canada	2011	General Counsel, Olympia Financial Group Inc. (a TSX listed company) and Olympia Trust Company (a non-deposit taking trust company). Previously, a partner at Davis LLP (an international law firm).
Thomas E. Claugus (5) Atlanta, Georgia, United States	2010	President, GMT Capital Corp. (a private investment company)
John C. Gorman (2) (4) (5) Calgary, Alberta, Canada	2002	Independent Businessman
Dirk Jungé, CFA (5) (6) Bryn Athyn, Pennsylvania, United States	2000	Chairman of the Board, Pitcairn Trust Company (a private trust company)
David M. Knott (1) (5) Syosset, New York, United States	1998	Managing General Partner, Knott Partners, L.P. (a private investment firm), and Chief Executive Officer of Dorset Management Corp. (a private investment firm)
Susan L. Riddell Rose (1) Calgary, Alberta, Canada	2000	President and Chief Executive Officer, Perpetual Energy Inc. (a public oil and natural gas exploration and development company) and its predecessor Paramount Energy Trust
John B. Roy (1) (2) (4) (5) (6) Calgary, Alberta, Canada	1981	Independent Businessman
Bernhard M. Wylie (1) (6) Calgary, Alberta, Canada	1978	Business Executive

(1) From 1992 to 2008, Paramount was the general partner of T.T.Y. Paramount Partnership No. 5 ("TTY"), a limited partnership which was an unlisted reporting issuer in certain provinces of Canada. TTY was established in 1980 to conduct oil and gas exploration and development activities, but had not carried on operations since 1984 and had only nominal assets. A cease trade order against TTY was issued by the Quebec Securities Commission in 1999 for failing to file its June 30, 1998 financial statements in Quebec. The cease trade order was revoked on April 9, 2008. TTY was dissolved on July 21, 2008.
(2) Member of the Compensation Committee.
(3) Mr. J. H. T. Riddell was a director of Jurassic Oil and Gas Ltd. ("Jurassic"), a private oil and gas company, and Sonde Resources Corp., a public oil and gas company, within one year of those companies becoming bankrupt. Jurassic's bankruptcy was subsequently annulled.
(4) Member of the Audit Committee.
(5) Member of the Corporate Governance Committee.
(6) Member of the Environmental, Health and Safety Committee.
(7) Messrs C. H. Riddell and J. H. T. Riddell hold executive offices with Trilogy. Substantial time is devoted to their office in Trilogy, however, they are not paid a salary by Trilogy therefore such office is not considered their principal occupation.

EXECUTIVE OFFICERS

Name and Municipality of Residence	Office	Principal Occupation for Past Five Years
Clayton H. Riddell (1) Calgary, Alberta, Canada	Chief Executive Officer	Chairman of the Board and Chief Executive Officer of Paramount
James H.T. Riddell (1) Calgary, Alberta, Canada	President and Chief Operating Officer	President and Chief Operating Officer of Paramount
Bernard K. Lee Calgary, Alberta, Canada	Chief Financial Officer	Chief Financial Officer of Paramount
Darrel S. Purdy Calgary, Alberta, Canada	Corporate Operating Officer, Kaybob	Corporate Operating Officer, Kaybob
E. Mitchell Shier Calgary, Alberta, Canada	General Counsel and Corporate Secretary, Manager, Land	General Counsel and Corporate Secretary, Manager, Land of Paramount

(1) Messrs C. H. Riddell and J. H. T. Riddell hold executive offices with Trilogy. Substantial time is devoted to their office in Trilogy, however, they are not paid a salary by Trilogy therefore such office is not considered their principal occupation.

As at December 31, 2014, the directors and executive officers of the Company as a group beneficially owned or controlled, directly or indirectly, 47,843,429 Common Shares, representing approximately 46 percent of the 104,898,045 Common Shares outstanding at such date.

Certain directors and officers of Paramount are also directors and/or officers and/or significant shareholders of other companies or entities engaged in the oil and gas business generally and which, in certain cases, own interests in oil and gas properties in which Paramount holds, or may in the future, hold an interest. As a result, situations may arise where such individuals have a conflict of interest. Such conflicts of interest will be resolved in accordance with Paramount's governing corporate statute, the Business Corporations Act (Alberta), and Paramount's internal policies respecting conflicts of interest. The Business Corporations Act (Alberta) requires that a director or officer of a corporation who is party to a material contract or proposed material contract with the corporation, or is a director or an officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the corporation, disclose in writing to the corporation or request to have entered into the minutes of meetings of directors the nature and extent of the director's or officer's interest; and, if a director, that he or she not vote on any resolution to approve the contract, except in certain circumstances. The Business Corporations Act (Alberta) also requires that a corporation's directors and officers act honestly and in good faith with a view to the best interest of the corporation. Paramount's internal policies respecting conflicts of interest require that directors and officers of Paramount avoid putting themselves in a conflict of interest position and, if such a position arises, that disclosure of such position be made so that Paramount can approve or disapprove such position, with disapproved conflict of interest positions requiring immediate cessation by the director or officer.

AUDIT COMMITTEE INFORMATION

The full text of the audit committee's charter is included in APPENDIX F of this annual information form.

COMPOSITION OF THE AUDIT COMMITTEE

The audit committee consists of three members, all of whom are independent and financially literate. The relevant education and experience of each audit committee member is outlined below:

J. C. Gorman

Mr. Gorman has been a director of the Company since 2002. He is an independent businessman. Mr. Gorman was the President and CEO of an energy trading, marketing and financial services company from 1996 to 2000 and a corporate banker with the Bank of Montreal (a Canadian chartered bank) from 1972 to 1996, retiring as Senior Vice President, Natural Resources Group. Mr. Gorman obtained a Bachelor of Arts degree from the University of Ottawa and a Master of Business Administration degree from the University of Western Ontario.

J. G. M. Bell

Mr. Bell has been a director of the Company since 2011. Mr. Bell is currently General Counsel for Olympia Financial Group Inc. (a TSX listed company) and its wholly-owned subsidiary Olympia Trust Company (a non-deposit taking trust company). Prior thereto, Mr. Bell practiced securities and corporate commercial law as a partner at Davis LLP (an international law firm) until December 31, 2009. Mr. Bell has acted as legal counsel in connection with private placements, prospectus offerings, take-over bids, plans of arrangement and general securities and corporate finance matters. Mr. Bell graduated from the University of Saskatchewan with a Bachelor of Laws degree in 1999.

J. B. Roy

Mr. Roy has been a director of the Company since 1981. He is an independent businessman. Prior to December 1, 2003, he served as the Vice-President and Director, Investment Banking of Jennings Capital Inc. (a private investment banking firm). From 1970 to 1996, he held various positions at Greenshields Incorporated and its successor, Richardson Greenshields of Canada Ltd. (a private investment banking firm). Mr. Roy graduated from Queen's University with a Bachelor of Science degree in Mechanical Engineering and received a Diploma in Management from McGill University. He is a member of the Association of Professional Engineers and Geoscientists of Alberta.

PRE-APPROVAL POLICIES AND PROCEDURES

The Company's audit committee has adopted a policy with respect to the pre-approval of audit and permitted non-audit services to be provided by its independent auditor (the “Policy”). Pursuant to the Policy, the audit committee has identified certain services that have been granted pre-approval and which the independent auditors may provide. The Policy also establishes procedures by which permitted audit and permitted non-audit services proposed to be performed by the Company’s independent auditors may be pre-approved.

The audit committee has delegated authority to the Chairman of the audit committee to pre-approve permitted audit and permitted non-audit services to be provided by the independent auditor that have not otherwise been pre-approved by the full audit committee, including the fees and terms of the proposed services (the “Delegated Authority”). All pre-approvals granted pursuant to the Delegated Authority must be presented by the Chairman of the audit committee to the full audit committee at its next meeting.

All fees payable in connection with services provided by the independent auditor must be pre-approved by either the full audit committee or the Chairman of the audit committee pursuant to his Delegated Authority.

EXTERNAL AUDITOR SERVICE FEES

The following table provides information about the fees billed to the Company for professional services rendered by Ernst & Young LLP in respect of the financial years ended December 31, 2014 and December 31, 2013:

($ thousands)	2014	2013
Audit Fees [1]	205	205
Audit-Related Fees [2]	194	243
Tax Fees	-	-
All Other Fees [3]	45	45
Total	444	493

(1) Represents the aggregate fees of the Company's auditors for audit services in respect of the financial year.
(2) Represents the aggregate fees billed for assurance and related services by the Company's auditors that are reasonably related to the performance of the audit or review of the Company's financial statements and are not included under “Audit Fees” and are primarily composed of services related to the Company's debt and equity offerings.
(3) Represents the aggregate fees billed for products and services provided by the Company's auditors other than those services reported under “Audit Fees”, “Audit Related Fees” and “Tax Fees”.

DESCRIPTION OF SHARE CAPITAL

The Company's authorized share capital as of the date hereof consists of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series. As of December 31, 2014, 104,898,045 Common Shares were issued and outstanding and no preferred shares were issued and outstanding.

COMMON SHARES

The holders of the Common Shares are entitled to receive dividends if, as and when declared by the board of directors of the Company. The holders of the Common Shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company. Holders of the Common Shares are entitled to one (1) vote in respect of each Common Share held at all meetings of the shareholders of the Company (except meetings at which only holders of another specified class or series of shares of the Company are entitled to vote separately as a class or series at such meeting) provided that if the Company fails to pay the full amount of any dividend declared by the board of directors of the Company on the Common Shares on the date specified for payment of such dividend, then, for so long as any dividends remain in arrears on the Common Shares, the holders of the Common Shares shall be entitled to two (2) votes in respect of each Common Share held at all meetings of the shareholders of the Company. In the event of liquidation, dissolution or winding up of the Company or other distributions of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the Common Shares will be entitled, subject to preferences accorded to holders of any class or series of preferred shares, to participate ratably in any distribution of the assets of the Company.

PREFERRED SHARES, ISSUABLE IN SERIES

Preferred shares are non-voting and may be issued in one or more series. The board of directors may determine the designation, rights, privileges, restrictions and conditions attached to each series of preferred shares before the issue of such series. As of December 31, 2014, no preferred shares were issued and outstanding.

CREDIT RATINGS

The following table outlines the current credit ratings of the Company, the 8¼% senior unsecured notes due December 13, 2017 (the "2017 Notes"), and the 2019 Notes:

	Standard & Poor's Rating Services ("S&P")	Moody's Investor Service ("Moody's")
Company Rating	B	B2
Outlook	Positive	Positive
2017 Notes	B+	B3
2019 Notes	B+	B3

A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner with respect to both interest and principal commitments.

S&P's credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. On February 20, 2015, S&P upgraded Paramount's corporate credit rating to B, positive outlook, and upgraded the credit rating on the 2017 Notes and the 2019 Notes to B+. According to S&P's rating system, an obligation rated "B" is more vulnerable to non-payment than those rated BB, but the obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation. The ratings from AA to CCC may be modified by the addition of a plus (+) or a minus (-) sign to show relative standing within the major rating categories. In addition, S&P may add a rating outlook of "positive", "negative" or "stable" which assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years).

Moody's credit ratings are on a rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. On February 23, 2015, Moody's affirmed Paramount's corporate family credit rating of B2, positive outlook, and credit rating of B3 on the 2017 Notes and the 2019 Notes. According to Moody's rating system, securities rated "B" are considered speculative and are subject to high credit risk. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through C. The modifier 1 indicates that the security ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of its generic rating category. In addition, Moody's may add a rating outlook of "positive", "negative" or "stable", which assesses the likely direction of an issuer's rating over the medium term.

The credit ratings accorded by S&P and Moody's are not recommendations to purchase, hold or sell securities and such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future, if in its judgment, circumstances so warrant.

In 2014 and 2013, the Company made payments to S&P and Moody's in connection with a) annual monitoring and surveillance fees in respect of Paramount, the 2017 Notes, and the 2019 Notes, and b) the issuance of $150 million of 2019 Notes in December 2013.

MARKET FOR SECURITIES

Paramount's Common Shares are listed on the TSX under the trading symbol "POU". The following table outlines the trading price range and volume of the Common Shares traded by month in 2014.

	Price Range ($ per share)		
2014	High	Low	Trading Volume
January	44.00	37.89	3,226,050
February	46.71	40.29	2,748,918
March	48.58	43.90	2,637,830
April	59.84	47.46	4,952,027
May	61.99	54.61	3,974,175
June	64.63	57.05	3,872,538
July	60.08	54.94	5,156,502
August	60.45	53.26	3,597,426
September	65.57	56.82	5,947,178
October	66.37	45.24	9,744,206
November	50.31	36.46	13,060,254
December	37.23	25.57	17,515,761

DIVIDENDS

Paramount has not paid a cash dividend in the last three fiscal years. Paramount currently has no plans to pay a dividend in the future. Any future payments will be dependent upon the financial requirements of the Company to reinvest earnings, the financial condition of the Company and other factors which the board of directors of the Company may consider appropriate.

LEGAL PROCEEDINGS

The Company is involved in various claims and litigation arising in the normal course of business. While the outcome of these matters is uncertain and there can be no assurance that such matters will be resolved in Paramount's favour, the Company does not currently believe that the outcome of any pending or threatened proceedings, or the amounts which the Company may be required to pay by reason thereof, would have a material adverse impact on its financial position, results of operations or liquidity.

RISK FACTORS

Set forth below are the most significant risk factors related to Paramount which you should carefully consider. If any event arising from these risk factors occurs, the Company's business, prospects, financial condition, results of operations or cash flows could be materially adversely affected. In addition to the risks identified in this section, see "APPENDIX E – CAVALIER OIL SANDS RESERVES, RESOURCES AND RELATED INFORMATION" regarding risks that are specific to Cavalier's oil sands and carbonate bitumen assets.

VOLATILITY OF OIL AND NATURAL GAS PRICES AND PRICE DIFFERENTIALS

Fluctuations in the prices of natural gas, NGLs and oil will affect Paramount's operational results and financial condition. In addition, Paramount could be affected by changes in differentials between the price received for its natural gas, NGLs and oil relative to quoted market prices as a result of various factors including supply and demand factors, location and quality.

Natural gas, NGLs and oil prices have fluctuated widely in recent years, and in particular over the past six months, and are likely to continue to be volatile in the future. Natural gas, NGLs and oil prices may fluctuate in response to a variety of factors beyond Paramount's control, including, but not limited to, worldwide and regional supply and demand factors, OPEC policies and actions, weather, and general economic and market conditions.

Paramount's operations are highly focused on liquids-rich natural gas production. Any material decline in natural gas, NGLs, and oil prices would reduce Paramount's revenues and, if sustained, could impact its overall value.

The economics of producing from some oil and natural gas wells could be negatively impacted by lower prices. As a result, Paramount could elect not to produce from certain wells. Any material decline in natural gas, NGLs, and/or oil prices could also result in a reduction in Paramount's exploration, development and acquisition activities.

Any substantial and extended weakness in the price of natural gas, NGLs, and/or oil would have an adverse effect, possibly significant, on Paramount's operating results and Paramount's borrowing capacity under the Credit Facility, which is established periodically by lenders. The lenders' estimate of the present value of the future net revenue of Paramount's oil and natural gas reserves and the value of other assets of the Company are used to derive the credit limit under the Credit Facility.

DEVELOPMENT AND/OR ACQUISITION OF OIL AND NATURAL GAS PROPERTIES

Paramount's future success depends upon its ability to develop and/or acquire additional oil and natural gas reserves that are economically recoverable. If Paramount is unable to increase its reserves, the Company's business will be adversely affected because it will eventually deplete its current reserves.

The cost of drilling, completing and operating wells is often uncertain. The Company may experience unexpected cost increases, overruns, delays or cancellations of projects in their entirety as a result of numerous factors, many of which are beyond its control, including, but not limited to, increased labour costs, higher costs of inputs, weather conditions, required compliance with government laws and regulations, the ability to obtain stakeholder support and approvals, and shortages or delays in the delivery of equipment and services. There is the risk that no commercially productive reservoirs will be encountered, that Paramount will not recover all or any portion of its investment, and that Paramount's reserves, revenues and cash flow will decline. Paramount cannot provide any assurances that it will be able to find and develop additional reserves at an acceptable cost or at all.

The successful acquisition and development of oil and natural gas properties requires an assessment of recoverable reserves, future natural gas, NGLs and oil prices, operating and capital costs, potential environmental and other liabilities, and productivity of new wells drilled. These assessments are inexact and, if actual results differ materially from the initial assessments, the Company may not recover the purchase price or development costs of a property and may not realize an acceptable return from properties it acquires or develops.

DEVELOPMENT OF INFRASTRUCTURE

The costs and timing of constructing and expanding natural gas processing facilities are often uncertain. The Company may experience unexpected cost increases, overruns, delays or cancellations related to the construction or expansion of its operated or non-operated gas processing facilities as a result of numerous factors, many of which are beyond its control, including, but not limited to, increased labour costs, higher cost of inputs, weather conditions, required compliance with government laws and regulations, the ability to obtain stakeholder support and approvals, and shortages or delays in the delivery of equipment and services.

There is also the risk that natural gas processing facilities may not operate as designed or at the expected capacity levels and that actual operating costs are materially higher than estimated. Actual utilizations of natural gas processing facilities may be lower than their capacity due to lower natural gas volumes supplied to the facility or disruptions and constraints at downstream pipeline and fractionation facilities. In addition, there is a risk that gas processing facilities may be unable to produce products that meet the production specification requirements of third party facilities interconnected to the facility or that there is a limited or no market for products produced (see below "ABILITY TO MARKET"). There is also a risk that natural gas processing facilities will not commence operations as planned or at all which will result in lower production and cash flow. In addition, third party facilities interconnected to new or expanded natural gas processing facilities may not operate or may operate at reduced capacity, which will result in lower production and cash flow. These risks could have a material adverse effect on the Company's assets, results of operations, and its ability to execute its business plan.

ABILITY TO MARKET

Paramount's ability to market its natural gas, NGLs and oil depends upon numerous factors beyond its control. As a result, Paramount may be unable to market all of the natural gas, NGLs and oil it produces, which could adversely affect Paramount's business. In addition, Paramount may be unable to obtain favorable prices for the natural gas, NGLs and oil it produces. The price Paramount receives for its natural gas, NGLs and oil may be below quoted market prices as a result of, among other things, regional supply and demand factors, quality, transportation costs, capacity constraints and interruptions and refining demand, all of which are beyond Paramount's control. These risks could have a material adverse effect on the Company's assets, results of operations, and its ability to execute its business plan.

The Company's ability to market its natural gas, NGLs and oil are also subject to risks connected with processing, transporting, fractionating and/or storing these products. As part of normal business operations, Paramount has entered into firm-service processing, transportation and NGLs fractionation commitments for most of its natural gas and NGLs production. Production, pipeline and facility outages, apportionments, or other constraints may negatively impact Paramount's ability to produce at productive capacity levels. In addition, these disruptions could adversely affect sales volumes, price realizations, and costs under firm processing, transportation and/or fractionation agreements. If Paramount is unable to meet its obligations under firm processing, transportation and/or fractionation agreements, the Company may be required to pay for the unutilized capacity under those agreements. These risks could have a material adverse effect on the Company's assets, results of operations, and its ability to execute its business plan. For additional information, see "NARRATIVE DESCRIPTION OF THE BUSINESS – RESERVES AND OTHER OIL AND GAS INFORMATION".

Paramount sells its production to a variety of purchasers under normal industry sale and payment terms. As a result, Paramount is also exposed to counterparty credit risk.

DEPENDENCE ON CERTAIN SENIOR OFFICERS

Paramount is highly dependent on its Chief Executive Officer and its President and Chief Operating Officer. The loss of either of these officers could impede the achievement of Paramount's objectives and could adversely affect Paramount's business and results of operations.

FUNDING OF EXPLORATION, DEVELOPMENT AND OPERATIONAL ACTIVITIES

Paramount may not have, or be able to obtain, through operations, financings, asset dispositions or otherwise, on terms acceptable to the Company or at all, the necessary capital to fund its exploration and development activities and other operations. Failure to have or to obtain necessary capital when required could result in Paramount being unable to develop its existing reserves and resources, discover new reserves and make acquisitions or could result in the termination or reduction of Paramount's property interests, any of which may have a material adverse effect on the Company's assets, results of operations and ability to execute its business plan.

INABILITY TO REPAY, REFINANCE, OR COMPLY WITH COVENANTS RELATED TO ITS INDEBTEDNESS

The Company's indebtedness includes a Credit Facility with a syndicate of Canadian chartered banks, the 2017 Notes, the 2019 Notes, the Fox Drilling Facility, and the Cavalier Facility. There is a risk that the Company will not be able to meet the covenants associated with its indebtedness, repay all or part of the indebtedness, or refinance all or part of the indebtedness on commercially reasonable terms.

There is a risk that the Credit Facility will not be extended or renewed with the same borrowing capacity or on similar terms. The maximum amount that Paramount may borrow under the Credit Facility is subject to periodic review and is dependent upon the Company's reserves, lenders' projections of future commodity prices and the value attributed by lenders to Paramount's other property. In addition, certain amounts, if drawn, under Tranche B of the Credit Facility will be secured by the pledge of certain of the Company's investments. A decrease in the market value of these investments may result in the Company having to either increase the number of shares pledged or repay the amounts drawn under Tranche B of the Credit Facility. The occurrence of any one of these events may have a material adverse effect on the Company's assets and ability to execute its business plan.

Paramount's 2017 Notes and 2019 Notes are rated by various credit rating agencies. These ratings affect Paramount's ability to access debt financing on terms acceptable to the Company. If any of the credit rating agencies downgrade Paramount's debt instruments, it may restrict the Company's ability to issue new debt or refinance existing debt. Rating agencies regularly review Paramount and its debt instruments based on a number of factors, including the Company's financial strength, as well as factors beyond the Company's control, including conditions affecting the oil and gas industry generally, and macro trends affecting the world economy. Paramount cannot be assured that one or more of the Company's credit ratings will not be downgraded. In addition, credit ratings may be important to customers or counterparties when engaging in transactions involving credit risk. The occurrence of a credit rating agency downgrade may have a material adverse effect on the Company's ability to execute its business plan.

The Fox Drilling Facility and the Cavalier Facility are demand loans with syndicates of Canadian chartered banks. There is a risk that the banks providing these loans will demand repayment of the amounts outstanding at any time and that the Company may not be able to repay all or part of the indebtedness, or refinance all or part of the indebtedness on commercially reasonable terms.

RESERVE AND RESOURCE ESTIMATES

Estimates of natural gas, NGLs, oil and bitumen reserves and resources involve a great deal of uncertainty because they depend in large part upon the reliability of available geologic and engineering data and the interpretation thereof, which is an inherently imprecise process. Geologic and engineering data are used to determine the probability of the existence and recoverability of reserves and resources. Probabilities are not certainties and actual recoveries of reserves will differ from estimates.

Estimates of natural gas, NGLs, oil and bitumen reserves and resources also require numerous assumptions relating to operating conditions and economic factors, including, but not limited to, the price at which recovered natural gas, NGLs, oil and bitumen can be sold, the availability and costs associated with recovering, processing, transporting, and selling natural gas, NGLs, oil and bitumen, the prevailing environmental conditions associated with drilling and production sites, the availability of enhanced recovery techniques, the successful application of in-situ bitumen recovery technologies, and governmental and other regulatory factors, such as taxes and environmental laws.

A change in one or more of these factors could result in known quantities of natural gas, NGLs, oil and bitumen previously estimated as reserves or resources becoming unrecoverable. For example, for conventional oil and natural gas reserves, a decline in the market price of natural gas, NGLs or oil to an amount that is less than the cost of recovering such natural gas, NGLs and oil in a particular location could make production of that natural gas, NGLs and oil commercially uneconomical, or for non-conventional reserves and resources an increase in the market price for natural gas and NGLs which are used as inputs for oil sands and carbonate bitumen operations could make the production of bitumen uneconomical depending on the market price for bitumen. Each of these factors, by having an impact on the cost of recovery and the rate of production, will also reduce the present value of future net cash flows from estimated reserves and resources.

In addition, if estimates of reserves and resources and future net cash flows expected from them are prepared by different independent engineers, or by the same engineers at different times, the results may vary substantially.

Furthermore, in accordance with IFRS, Paramount could be required to write-down the carrying value of its oil and natural gas properties if future oil and natural gas prices become depressed, or if there are substantial downward revisions to Paramount's quantities of reserves. A write-down would result in a charge to earnings and a reduction of shareholders' equity. For the year ended December 31, 2014, the carrying value of Paramount’s oil and natural gas properties was written-down by approximately $32.8 million.

INDUSTRY COMPETITION

The petroleum and natural gas industry is highly competitive. Paramount competes with numerous other participants in the search for and the acquisition of oil and natural gas properties and in the processing, transportation, and marketing of these commodities. Many of Paramount’s competitors have greater financial and human resources and/or greater access to capital. Competition is particularly intense in the acquisition of prospective oil and natural gas properties and reserves. Paramount's competitive position depends upon its geological, geophysical and engineering expertise and its financial resources. In addition, successful reserve replacement in the future will depend not only on the further development of present properties, but also on the ability to select and acquire suitable prospects for exploratory drilling and development.

INVESTMENT RISK

Paramount holds investments in the shares of both public and private entities. Any material adverse effect on the financial position, business or operations of the entities in which Paramount has invested may have a material adverse effect on the value of such investments and, as a result, the Company's returns on such investments (including the decrease, suspension, or termination of dividends). The market value of Paramount's investments in other entities as of December 31, 2014, including Trilogy and MEG Energy Corp., decreased approximately 63 percent from December 31, 2013. In December 2014, Trilogy announced that its board of directors determined to discontinue the payment of dividends following the payment of the November 2014 dividend and no certainty exists as to when the payment of dividends will be re-instated, if at all. There is also no assurance as to the ability of Paramount to sell certain of its investments and the price Paramount would receive if and when it chose to sell such investments. Decreases in the value of Paramount's investments or the inability to sell investments could have a material adverse effect on the Company.

Paramount's short-term investments of excess cash, from time-to-time, are mainly in Bankers' Acceptance notes and Bearer Deposit Notes, but may also include Guaranteed Investment Certificates, Treasury Bills, or other R1 or AAA rated investments.

GOVERNMENT REGULATION

Paramount's operations are governed by numerous laws and regulations at the municipal, provincial, territorial and federal levels. These laws and regulations cover a wide range of issues including, without limitation, royalties, taxes (including income taxes), land tenure, drilling practices and obligations, production rates, the development and abandonment of oil and gas fields, the export of petroleum and natural gas and environmental protection. In addition, regulatory approval processes often involve numerous stakeholders including aboriginal groups (who must be consulted with respect to potential impacts on treaty or other actual or asserted aboriginal rights) and other resource and surface rights holders. Changes to, or the failure to comply with, laws and regulations, potential regulatory interventions by stakeholders and delays in obtaining regulatory approvals could have a material adverse effect on the Company's assets, results of operations and its ability to execute its business plan.

Paramount's income tax and royalty filings are subject to reassessment by government entities. The reassessment of filings could result in additional obligations for income tax, royalties, interest and penalties which could adversely affect Paramount's cash flows and financial position.

In 2010, the Company received reassessments from the Canada Revenue Agency (the "CRA") and provincial tax authorities of its income taxes relating to a prior year transaction (the "Reassessments"). Paramount strongly disagrees with the Reassessments and has filed notices of objection with the CRA and provincial tax authorities. Despite its disagreement, and as a condition of its right to proceed with its objection to the Reassessments, the Company deposited approximately $20 million with the CRA, which amount will remain on account until the dispute is resolved.

COMPLIANCE WITH AND CHANGES TO ENVIRONMENTAL, HEALTH AND SAFETY LAWS AND REGULATIONS

Paramount's operations are subject to extensive federal, provincial, territorial, and local laws and regulations that address environmental, health and safety matters relating to all aspects of the exploration, development and production of oil and gas including the release of emissions or pollutants, the storage, handling, transportation and disposal of hazardous and other substances, the remediation of environmental damage, the protection of environmentally sensitive areas and of endangered and protected species, and worker and operational safety. Compliance with these laws and regulations may impose substantial costs on Paramount and may subject Paramount to significant potential liabilities, and future changes in such legislation could result in stricter standards and enforcement, larger fines and increased costs of compliance, all of which could have a material adverse effect on Paramount's financial condition or results of operations.

Over the past several years, the federal government has undertaken a number of initiatives to achieve domestic GHG reductions. These measures include regulations, codes and standards, targeted investments, incentives, tax measures and programs that directly reduce GHG emissions. Recently, the federal government released draft regulations that would impose emission performance requirements for certain types of equipment that, if and when implemented, will require Paramount to retrofit some of the engines it uses at its facilities.

Given the high degree of economic integration between Canada and the U.S., Canada has stated that it intends to align its GHG reduction legislation with future U.S. emissions reduction regulations where it is appropriate and in Canada’s best interests to do so. The Canadian government has announced that it will focus on a sector-by-sector regulatory approach beginning with the largest sources of emissions. To date, regulations have been put in place with respect to two of Canada’s largest sources of GHG emissions, the electricity and transportation sectors. The oil and gas industry is expected to be the next sector of the economy where the federal government will regulate GHG emissions. It is not known when these regulations will be released. At present, it is not possible to predict the impact such legislation could have on the business, operations, and/or finances of the Company.

As previously discussed in the section “NARRATIVE DESCRIPTION OF THE BUSINESS – GENERAL”, both the Alberta and British Columbia governments have already taken steps to regulate GHG emissions and it is anticipated that they will take further regulatory action in the future. Any further regulatory steps that these governments take, or that are adopted by the federal government, could materially impact the oil and gas industry, including Paramount, but at present it is not possible to predict what the potential magnitude could be.

Environmental laws may require parties to undertake or pay for remedial action or to pay damages regardless of fault. Environmental laws may also impose liability with respect to divested or terminated operations, even if the operations were divested or terminated many years ago.

Paramount's operations may also result in the occurrence of spills or the discharge of hazardous materials which could result in the Company being subject to remediation and clean-up obligations and exposure to potential liabilities for personal injuries and property and environmental claims. Environmental laws and/or the terms of purchase agreements with third parties may impose liability on Paramount for environmental damages caused by previous owners. As a result, substantial liabilities to third parties or government entities may be incurred, and the payment of such liabilities could have a material adverse effect on Paramount's financial condition and results of operations. In addition, the release of harmful substances in the environment or other environmental damage caused by Paramount's activities could result in the suspension or revocation of operating and environmental permits.

Paramount currently has insurance covering certain environmental damages. However, the scope of and coverage under such insurance is limited, and environmental liabilities that Paramount may be exposed to may not be covered under such insurance or, if covered, may be subject to monetary limits that would result in Paramount not being fully reimbursed for costs and expenses that it incurs. Accordingly, Paramount may be subject to significant liability in the event of environmental damages.

POTENTIAL ENVIRONMENTAL RISKS ASSOCIATED WITH HYDRAULIC FRACTURING

The Company utilizes horizontal, multi-stage hydraulic fracturing, and other technologies in its drilling and completion activities. Public concern over the hydraulic fracturing process has focused on a number of issues including the completion fluids used in the fracturing process and their potential effect on fresh water aquifers, the use and disposal of water in connection with completion operations and the potential for fracturing operations to contribute to low level seismic events (particularly in proximity to existing faults). The Canadian Association of Petroleum Producers, an industry group, has issued guidelines on hydraulic fracturing in shale gas and other tight gas or oil reservoirs. In addition, various government and regulatory agencies in Canada and the U.S. have been investigating the potential risks associated with the hydraulic fracturing process. Paramount is unable to predict whether regulations restricting the use of hydraulic fracturing may be implemented in any of the jurisdictions where the Company operates, or the potential impact any such regulations could have on the Company's business. However, the implementation of any new regulations with respect to water usage or hydraulic fracturing generally could increase the Company's regulatory compliance and operating costs, expose it to potential prosecution or litigation if it failed to comply with such regulations, and negatively impact the Company's prospects, any of which could have a material adverse effect on Paramount's business, financial condition and results of operations.

ROYALTY REGULATION

At December 31, 2014, approximately 99 percent of Paramount's conventional proved and probable reserves were located in Alberta. On several occasions over the past decade, the Government of Alberta has amended the legislation and regulations governing royalty rates paid by oil and natural gas producers. This has included the implementation, modification and extension of a number of incentive programs that reduce royalty rates. Some of these programs are stated to only be in effect for a prescribed period of time. Legislation and regulations governing royalties paid by the Company, including incentive programs adopted thereunder, may change from time to time. In addition, incentive programs stated to be in effect for a prescribed period of time may not be extended or renewed prior to their expiry or may be extended or renewed on different terms. An increase in royalty rates would reduce the Company's cash flow and earnings, and could make future capital investments, or the Company's operations, less economic.

OPERATING RISKS AND INSURANCE

There are many operating hazards in exploring for and producing oil and natural gas, including, but not limited to, unexpected formations, blowouts, accidents, equipment failures (including computer hardware and software systems), spills, releases, environmental damage or other unexpected or dangerous conditions that could result in damage to Paramount, injury or death of employees or contractors, damage to equipment and facilities, suspension or revocation of regulatory approvals, environmental contamination and potential liability to third parties (including government bodies). Also, a significant event may result in lost revenue and/or profit.

The Company cannot fully protect against all of these potential risks, nor are all of these risks insurable. The Company may become liable for damages arising from these events against which it cannot insure or against which it may elect not to insure due to high premium costs or other reasons.

The occurrence of a significant event against which Paramount is not fully insured or indemnified could seriously harm Paramount's financial condition, operating results and ability to carry on its business.

CONTROL OF OPERATIONS

The exploration and development of, and production from, oil and gas properties, are largely dependent on the operator of the property. Paramount does not operate all of its properties and to the extent a third-party operator fails to conduct operations properly or in a manner that the Company prefers, Paramount's financial condition, operating results and ability to carry on its business could be adversely affected.

RISK MANAGEMENT ACTIVITIES

The nature of Paramount's operations results in exposure to fluctuations in commodity prices, currency exchange rates and interest rates. Paramount monitors and, from time-to-time, utilizes derivative and/or physical forward delivery contracts to manage its exposure to these risks.

If commodity prices change, or the value of the Canadian dollar versus the U.S. dollar changes, or interest rates change, Paramount could be required to make cash payments to settle outstanding contracts or lose the cost of an option. Conversely, a ceiling or fixed price could limit Paramount from receiving the full benefit of commodity price increases, changes in the value of the Canadian dollar or changes in interest rates.

By entering into such hedging arrangements, Paramount may suffer financial loss if it is unable to produce oil or natural gas to fulfill its obligations, pay a margin call on a derivative contract or pay royalties based on a market or reference price that is higher than its fixed or ceiling price.

In addition, Paramount may be exposed to credit related losses in the event of non-performance by a counterparty to a contract.

SURFACE CONDITIONS

The exploration for and development of oil and natural gas reserves depends upon access to areas where operations are to be conducted. Oil and gas industry operations are affected by road bans imposed from time-to-time. Road bans are also imposed due to wildlife migration, snow, mud and rock slides, wild fires and periods of high water which can restrict access to Paramount's well sites and production facility sites. Access to Paramount’s operations may also be restricted due to environmental regulations.

Paramount conducts a portion of its operations in British Columbia, Northern Alberta and the Northwest Territories of Canada, which Paramount is able to do on a seasonal basis only. Unseasonably warmer or colder weather can significantly affect Paramount’s operations in these areas.

UNFORESEEN TITLE DEFECTS, EXPIRATION OF LICENSES AND LEASES, AND LAND CLAIMS

Unforeseen title defects may result in the loss of entitlement to production and reserves. Title reviews are conducted in accordance with industry practice, however such reviews do not guarantee that an unforeseen defect in the chain of title will not arise and defeat the Company’s title to the assets. If such a defect were to occur, the Company’s entitlement to the production from such assets could be at risk.

The Company’s properties are held in the form of licenses and leases and working interests in licenses and leases. Failure to meet requirements of the license or lease may result in their termination or expiry. Paramount has processes in place to manage the termination and expiry of licenses and leases, however if Paramount was unable to continue licenses or leases it may have a material adverse effect on Paramount's financial condition, operating results and ability to carry on its business.

Aboriginal peoples have claimed aboriginal title and rights to a substantial portion of western and northern Canada, including some of the properties on which Paramount conducts its operations. Claims asserting aboriginal title or rights to the lands on which any of Paramount's properties are located, if successful, could have an adverse effect on Paramount's assets, results of operations and ability to execute its business plan.

CHANGES TO FUTURE EXPLORATION, EXPLOITATION AND DEVELOPMENT PROJECTS

Whether Paramount ultimately undertakes an exploration, exploitation or development project will depend upon numerous factors such as market conditions, prices, access to and the cost of capital, supply and demand factors and new information. Paramount continuously gathers data about its projects and it is possible that additional information will cause Paramount to alter its schedule or determine that a project should not be pursued.

EXPLORATION AND DEVELOPMENT OF OIL SANDS AND CARBONATE BITUMEN ASSETS

In late 2011, Paramount transferred all of its oil sands and carbonate bitumen assets into Cavalier. These assets are prospective for in-situ bitumen recovery development but are at the early stages of their evaluation and development. Cavalier currently has no bitumen production and there are no assurances that any of its properties will commence production, generate earnings, operate profitably or provide a return on investment in the future. In addition to the other risks identified in this “RISK FACTORS” section, see “APPENDIX E – CAVALIER OIL SANDS RESERVES, RESOURCES AND RELATED INFORMATION” regarding risks that are specific to Cavalier’s oil sands and carbonate bitumen assets.

ESSENTIAL EQUIPMENT AND PERSONNEL

Oil and natural gas exploration and development activities depend upon the availability of qualified personnel and drilling and related equipment. Shortages of qualified personnel or equipment may delay Paramount’s exploration and development activities.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Trust Company of Canada located at 600, 530 – 8th Avenue S.W., Calgary, Alberta, T2P 3S8.

INTEREST OF EXPERTS

Ernst & Young LLP, Chartered Accountants, are the Company's auditors and such firm has prepared an opinion with respect to the Company's consolidated financial statements as at and for the fiscal year ended December 31, 2014. Information relating to Paramount’s and Cavalier’s reserves in this annual information form was prepared by McDaniel as an independent qualified reserves evaluator. Information relating to Cavalier’s resources in this annual information form was also prepared by McDaniel as an independent qualified resources evaluator. Information relating to Trilogy’s reserves in APPENDIX D of this annual information form was prepared by InSite Petroleum Consultants Ltd. (“InSite”) as an independent qualified reserves evaluator.

Ernst & Young LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

The principals of McDaniel and InSite own beneficially, directly or indirectly, less than 1 percent of any class of Paramount's securities.

ADDITIONAL INFORMATION

Additional information relating to Paramount is available via the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Additional information, including directors' and officers' remuneration, principal holders of Paramount's securities, and options to purchase securities, is contained in the information circular for Paramount's most recent annual meeting of shareholders that involves the election of directors. Additional financial information is contained in Paramount's audited consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2014.

APPENDIX A

REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR – PARAMOUNT RESOURCES LTD.

To the board of directors of Paramount Resources Ltd. (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2014. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2014 estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2014, and identifies the respective portions thereof that we have evaluated and reported on to the Company's management:

Preparation Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue - $ million (before income taxes, 10% discount rate)			
		Audited	Evaluated	Reviewed	Total
March 4, 2015	Canada	–	$3,836	–	$3,836

5. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their preparation dates.

7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

MCDANIEL & ASSOCIATES CONSULTANTS LTD.

/s/ P.A. Welch, P. Eng
President & Managing Director
Calgary, Alberta
March 4, 2015

APPENDIX B
REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR – CAVALIER ENERGY INC.

To the boards of directors of Cavalier Energy Inc. ("Cavalier"), a wholly owned subsidiary of Paramount Resources Ltd. ("Paramount") as at December 31, 2014, and Paramount:

1. We have evaluated Cavalier's reserves data as at December 31, 2014. The reserves data are estimates of probable reserves and related future net revenue as at December 31, 2014 estimated using forecast prices and costs.

2. The reserves data are the responsibility of Cavalier's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of Cavalier evaluated by us for the year ended December 31, 2014, and identifies the respective portions thereof that we have evaluated and reported on to Cavalier's management:

Preparation Date of Evaluation Report	Location of Reserves	Net Present Value of Future Net Revenue - $ million (before income taxes, 10% discount rate)			
		Audited	Evaluated	Reviewed	Total
March 4, 2015	Canada	–	$363	–	$363

5. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their preparation dates.

7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

MCDANIEL & ASSOCIATES CONSULTANTS LTD.

/s/ P.A. Welch, P. Eng
President & Managing Director
Calgary, Alberta
March 4, 2015

APPENDIX C
REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management of Paramount Resources Ltd. (the "Company") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2014, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Company's reserves data. The reports of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The Audit Committee of the board of directors of the Company has:

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;

(b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Audit Committee of the board of directors of the Company has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Audit Committee, approved:

(a) the content and filing with securities regulatory authorities of the reserves data and other oil and gas information contained in the Company's annual information form accompanying this report;

(b) the filing of the reports of the independent qualified reserves evaluators on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

/s/ Clayton H. Riddell Chief Executive Officer	/s/ Bernard K. Lee Chief Financial Officer
/s/ John B. Roy Director	/s/ John C. Gorman Director

March 16, 2015

APPENDIX D
TRILOGY ENERGY CORP. – NATIONAL INSTRUMENT 51-101 EQUITY INVESTMENTS DISCLOSURE

Insite evaluated 100% of Trilogy's natural gas, NGLs and crude oil reserves as at December 31, 2014 and reported on them (the "InSite Report"). The evaluation by InSite was prepared in accordance with the standards contained in the COGE Handbook and NI 51-101.

The (i) reserves; (ii) future net revenue and related forecast prices and costs; and (iii) production history and estimates disclosed herein and reported in the InSite Report include certain of those NGLs within Trilogy's natural gas stream that are currently, and are in the future expected to be, quantified or extracted and for which Trilogy is paid based on market rates. For such purposes, it has been assumed that (a) the NGLs Volumes Recovery Agreement[1] will be in place until November 30, 2015; and (b) after November 30, 2015, annual volumes of Trilogy's NGLs sold under the NGLs Volumes Recovery Agreement will be instead sold under one or more other arrangements having, in the aggregate, less favorable terms relative to the existing agreement. As a result of such change in Trilogy's arrangements for selling its NGLs, future net revenues from Trilogy's NGLs are currently expected to be lower in the foreseeable future as it is anticipated that Trilogy will receive a smaller share of the market price for its NGLs. As at December 31, 2014, the NGLs sold under the NGLs Volumes Recovery Agreement represented approximately 13.6% of Trilogy's proved plus probable NGLs reserves volumes, approximately 2.8% of Trilogy's total proved plus probable reserves volumes, approximately 3.0% of the net present value of Trilogy's future net revenue before taxes discounted at 10% using forecast prices and costs and approximately 5.2% of Trilogy's production. If these NGLs were instead reported as part of Trilogy's natural gas, it would increase Trilogy's natural gas reserves (since these are notionally reduced for shrinkage attributable to the extraction of these NGLs) and decrease Trilogy's NGLs reserves and production accordingly, but would have no effect on Trilogy's future net revenues.

In January 2014 Trilogy received a letter from the Canada Revenue Agency (the "CRA") advising Trilogy that, subject to submissions by Trilogy, it was proposing to reassess Trilogy's tax filings related to Trilogy's conversion from a trust structure to a corporate structure. The proposed reassessments sought to disallow certain tax pools in the amount of $728 million. In March 2015 Trilogy and the CRA ultimately resolved the dispute through an agreement which will result in:

- no cash tax outlay by Trilogy for the taxation years 2010 through 2014;
- a charge to Trilogy's Statement of Comprehensive Income for the year ended December 31, 2014 to write down a portion of Trilogy's deferred tax asset;
- the elimination of potentially costly and time consuming court proceedings; and
- management being able to focus more fully on Trilogy's operations to enhance shareholder value.

The after tax figures provided herein are based on the tax pools available to Trilogy taking into account the aforementioned agreement with the CRA.

All evaluations of future net cash flow are stated prior to any provision for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned. It should not be assumed that the estimated future net cash flow shown

(1) NGLs Volumes Recovery Agreement means the NGLs Volumes Agreement dated January 1, 2011 between Trilogy and Aux Sable Canada LP.

below is representative of the fair market value of Trilogy's assets. There is no assurance that such price and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of crude oil, NGLs and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, NGLs and natural gas reserves may be greater than or less than the estimates provided herein.

As at December 31, 2014, Paramount owned approximately 12.8 million common shares of Trilogy and 6.4 million non-voting shares of Trilogy, representing approximately 15 percent of Trilogy's equity and approximately 12 percent of its common shares.

The following is a summary of Trilogy's reserves and future net revenue and the costs incurred by Trilogy as at and for the year ended December 31, 2014, each multiplied by 15 percent, being Paramount's equity interest in Trilogy as of December 31, 2014. Columns and rows may not add in the following tables due to rounding.

The information contained within this APPENDIX D has been derived solely from Trilogy's annual information form dated March 4, 2015 which is posted on SEDAR (www.sedar.com) and is not incorporated by reference into this annual information form.

For the year ended December 31, 2014, Paramount accounted for its investment in Trilogy using the equity method. Pursuant to NI 51-101, Paramount is required to disclose the following information separately from its own reserves data and other oil and gas information. **Readers are cautioned that Paramount does not have any direct or indirect interest in or right to the reserves or future net revenue of Trilogy disclosed within this APPENDIX D nor does Paramount have any direct or indirect obligations in respect of or liability for the costs incurred by Trilogy disclosed within this APPENDIX D. The Company is a shareholder of Trilogy, just like any other shareholder of Trilogy, and, accordingly, the value of the Company's investment in Trilogy is based on the trading price of Trilogy's shares on the TSX.**

Reserves Data [1]

The following table summarizes Trilogy's reserves evaluated at December 31, 2014 multiplied by Paramount's 15 percent equity interest using forecast prices and costs.

	Conventional Gas		Shale Gas		Natural Gas Liquids	
Reserves Category	Gross (Bcf)	Net (Bcf)	Gross (Bcf)	Net (Bcf)	Gross (MBbl)	Net (MBbl)
Proved						
Developed Producing	37.7	34.5	4.8	4.4	1,919	1,496
Developed Non-producing	3.3	3.0	0.1	0.1	179	129
Undeveloped	3.1	3.0	5.6	5.1	898	740
Total Proved	44.2	40.5	10.5	9.6	2,996	2,366
Total Probable	16.3	14.6	8.6	7.7	1,443	1,057
Total Proved plus Probable	60.5	55.1	19.1	17.3	4,439	3,423

	Light & Medium Crude Oil		Shale Oil		Total	
Reserves Category	Gross (MBbl)	Net (MBbl)	Gross (MBbl)	Net (MBbl)	Gross (MBoe)	Net (MBoe)
Proved						
Developed Producing	2,036	1,631	9	8	11,042	9,614
Developed Non-producing	190	154	-	-	944	806
Undeveloped	183	161	-	-	2,535	2,245
Total Proved	2,410	1,945	9	8	14,521	12,665
Total Probable	1,113	851	4	3	6,716	5,639
Total Proved plus Probable	3,523	2,797	13	11	21,237	18,304

(1) Same terminology as earlier defined in this annual information form.

NET PRESENT VALUE OF FUTURE NET REVENUE [1]

The following table summarizes the net present values of future net revenue attributable to Trilogy's reserves evaluated at December 31, 2014 multiplied by Paramount's 15 percent equity interest, except per unit information. The net present values are reported before income taxes and after income taxes at discount rates of 0%, 5%, 10%, 15%, and 20% as well as on a unit value basis at a discount rate of 10% before income taxes. Future net revenue does not represent fair market value.

Reserves Category	Net Present Value of Future Net Revenues ($ millions)										Unit Value Before Tax Discounted at 10% $/boe
	Before Income Tax (discounted at)					After Income Tax [(2)] (discounted at)					
	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%	
Proved											
Developed Producing	196.4	158.4	131.9	113.2	99.6	190.4	155.2	130.2	112.2	99.0	13.72
Developed Non-producing	18.1	12.7	9.6	7.7	6.3	14.0	10.2	8.0	6.6	5.6	11.96
Undeveloped	48.3	26.9	15.1	7.9	3.2	36.7	19.7	10.4	4.7	0.9	6.72
Total Proved	262.8	198.0	156.7	128.8	109.1	241.1	185.1	148.6	123.5	105.5	12.37
Total Probable	182.0	99.1	62.0	42.2	30.3	137.1	74.1	46.0	31.0	22.1	11.00
Total Proved plus Probable	444.8	297.1	218.7	171.0	139.4	378.2	259.2	194.6	154.5	127.5	11.95

(1) Same terminology as earlier defined in this annual information form.
(2) Estimates of the after-tax value of future net revenue have been prepared based on pre-tax reserves information and include assumptions and estimates of Trilogy's tax pools and the sequences of claims and claim rates thereon. After tax value has been prepared on a consolidated basis and does not consider the business entity level tax situation or additional tax planning which may occur. Trilogy's financial statements and MD&A for the year ended December 31, 2014, which are not incorporated by reference into this annual information form, as well as the risk factors herein should be consulted for additional information regarding income taxes.

FUTURE NET REVENUE [(1)]

The following table summarizes the total undiscounted future net revenue before income taxes and after income taxes attributable to Trilogy's reserves evaluated at December 31, 2014, multiplied by Paramount's 15 percent equity interest.

Reserves Category ($ millions)	Proved	Proved plus Probable
Revenue	761.8	1,204.6
Royalties [(2)]	111.9	193.0
Operating Costs	319.8	461.0
Development Costs	54.5	89.9
Well Abandonment Costs	12.8	15.8
Future Net Revenue Before Income Tax	262.8	444.8
Income Taxes [(3)]	21.7	66.7
Future Net Revenue After Income Tax	241.1	378.2

(1) Same terminology as earlier defined in this annual information form.
(2) Royalties include crown royalties, freehold royalties, overriding royalties and mineral taxes.
(3) Estimates of the after-tax value of future net revenue have been prepared based on pre-tax reserves information and include assumptions and estimates of Trilogy's tax pools and the sequences of claims and claim rates thereon. After tax value has been prepared on a consolidated basis and does not consider the business entity level tax situation or additional tax planning which may occur. Trilogy's financial statements and MD&A for the year ended December 31, 2014, which are not incorporated by reference into this annual information form, as well as the risk factors herein should be consulted for additional information regarding income taxes.

FUTURE NET REVENUE BY PRODUCTION GROUP [(1)]

The following table summarizes the net present value of future net revenue by production group and on a unit value basis before income taxes attributable to Trilogy's net reserves evaluated at December 31, 2014 multiplied by Paramount's 15 percent equity interest, except unit values.

Reserves Category	Production Group	Future Net Revenue Before Income Tax (discounted at 10%) ($ millions)	Unit Value Before Income Taxes (discounted at 10% /year using net reserves) ($/unit)
Proved	Natural Gas [(2)] (including by-products but excluding solution gas and by-products from oil wells)	41.3	$2.16 / Mcfe
	Light and Medium Crude Oil [(3)] (including solution gas and other by-products such as natural gas liquids)	78.6	$22.85 / Boe
	Shale Gas (including by-products but excluding solution gas and by-products from oil wells)	36.8	$1.05 / Mcfe
	Shale Oil (including solution gas and other by-products such as natural gas liquids)	0.4	$29.46 / Boe
	Total Proved	156.7	$12.37 / Boe
Proved plus Probable	Natural Gas [(2)] (including by-products but excluding solution gas and by-products from oil wells)	54.8	$1.95 / Mcfe
	Light and Medium Crude Oil [(3)] (including solution gas and other by-products such as natural gas liquids)	103.7	$ 20.89 / Boe
	Shale Gas (including by-products but excluding solution gas and by-products from oil wells)	60.0	$1.07 / Mcfe
	Shale Oil (including solution gas and other by-products such as natural gas liquids)	0.6	$27.29 / Boe
	Total Proved plus Probable	218.7	$11.95 / Boe

(1) Same terminology as earlier defined in this annual information form.
(2) Natural gas includes coal bed methane and associated and non-associated gas (including by-products).
(3) Light and medium crude oil includes solution gas and other by-products.
(4) This table does not include revenue from heavy oil or other minor sources of revenue.

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS [(1)]

The following table summarizes the prices used by InSite in calculating the net present value of future net revenue attributable to reserves.

Forecast Prices and Costs		2015	2016	2017	2018	2019	2020	2021
U.S. Henry Hub Gas Price	(US$ / MMBtu)	3.50	4.00	4.25	4.50	4.75	5.00	5.25
Alberta Gas Reference Price	(Cdn$ / MMBtu)	3.38	3.95	4.23	4.51	4.79	5.07	5.35
AECO Gas Price	(Cdn$ / MMBtu)	3.58	4.15	4.43	4.71	4.99	5.27	5.55
WTI @ Cushing	(US$ / Bbl)	65.00	75.00	80.00	85.00	90.00	95.00	96.90
Edmonton Reference Price	(Cdn$ / Bbl)	68.58	80.07	85.74	91.41	97.07	102.74	104.79
Condensate Edmonton	(Cdn$ / Bbl)	75.44	86.47	90.88	96.89	102.90	108.90	111.08
Butane	(Cdn$ / Bbl)	48.01	56.05	60.02	63.99	67.95	71.92	73.35
Propane	(Cdn$ / Bbl)	34.29	40.03	42.87	45.70	48.54	51.37	52.40
Ethane	(Cdn$ / Bbl)	10.55	12.33	13.21	14.08	14.96	15.83	16.70
Inflation Rate (2)	(% / year)	0%	2%	2%	2%	2%	2%	2%
Exchange Rate (3)	(US$ / Cdn$)	0.86	0.86	0.86	0.86	0.86	0.86	0.86

(1) Same terminology as earlier defined in this annual information form.
(2) Inflation rates for forecasting prices and costs subsequent to 2021 were assumed to be 2% per year.
(3) Exchange rates used to generate the benchmark reference prices in this table.

COSTS INCURRED

The following table summarizes the exploration and development costs incurred by Trilogy in 2014 multiplied by Paramount's 15 percent equity interest.

Cost Type ($ millions)	2014	Q4	Q3	Q2	Q1
Non-corporate acquisitions and dispositions					
Proved properties	1.7	1.1	-	-	0.6
Unproved properties (including undeveloped land)	0.3	0.3	-	-	-
Exploration	9.3	0.8	0.9	3.3	4.3
Development (including facilities)	55.4	8.8	11.4	13.7	21.4
Total	66.7	11.0	12.3	17.0	26.3

APPENDIX E
CAVALIER OIL SANDS RESERVES, RESOURCES AND RELATED INFORMATION

General

In late 2011, Paramount reorganized all of the Company's oil sands and carbonate bitumen interests into a new wholly-owned subsidiary, Cavalier Energy Inc., and appointed an executive leadership team for Cavalier. The reorganization was undertaken to create a focused, self-funding oil sands entity to execute the development of Paramount's oil sands and carbonate bitumen assets. Cavalier was as at December 31, 2014, and is at the date hereof, a wholly-owned subsidiary of Paramount.

Cavalier owns approximately 345 sections of Crown oil sands leases in the western Athabasca region of Alberta. These leases are prospective in multiple formations, primarily for thermal in-situ development, but also have potential for cold production.

Cavalier's oil sands leases are primarily prospective from the Grand Rapids formation at Hoole, the McMurray and Wabiskaw formations at Eagles Nest, and the Grosmont formation at Saleski and Cavalier's Other Carbonate Leases (as defined below). The following table summarizes Cavalier's landholdings as at December 31, 2014:

	Acreage Assigned Reserves		Acreage Assigned Contingent Resources		Acreage Assigned Contingent Resources (Technology Under Development) (6)		Undeveloped Acreage	
	Gross (1)	Net (2)	Gross (1)	Net (2)	Gross (1)	Net (2)	Gross (1)	Net (2)
Clastic Reservoirs								
Hoole	1,440	1,440	36,070	36,070	-	-	19,279	19,279
Eagles Nest	-	-	-	-	-	-	23,040	23,040
Other	-	-	-	-	-	-	12,160	9,600
Carbonate Reservoirs								
Saleski	-	-	-	-	9,600	9,600	-	-
Other Carbonate Leases (3)	-	-	-	-	119,040	119,040	-	-
Total	1,440	1,440	36,070	36,070	128,640	128,640	54,479	51,919

See notes and definitions below. Acreage information above previously included in "OTHER OIL AND GAS INFORMATION – PROPERTIES WITH AND WITHOUT ATTRIBUTED RESERVES"

Cavalier's near-term plans are expected to focus on the development of its 100 percent owned oil sands leases at Hoole and further delineation of its other clastic and carbonate leases. Cavalier completed the front end engineering and design work for Hoole Grand Rapids Phase 1 along with geotechnical work and the drilling of additional delineation wells in 2013. In 2014, Cavalier received regulatory approval for Hoole Grand Rapids Phase 1 and also acquired approximately 23 net sections of additional undeveloped land contiguous to its existing lands at Hoole for $20 million. Cavalier is actively monitoring industry activity towards the successful commercial development and production from carbonate reservoirs before moving forward with the Saleski project. Given the focus on Hoole Grand Rapids Phase 1, no specific development plans and project timelines have been initiated for Cavalier's other properties.

Below is a summary of those reserves and resources of Cavalier which have been estimated by McDaniel, Cavalier's independent reserves and resources evaluator. There is no certainty that it will be commercially viable to produce any portion of these reserves or resources and there is no guarantee that these estimated reserves and resources or any reserves and resources will be recovered. The size of these reserve and resource estimates could be positively or negatively impacted if the size, quality, and/or thickness of the reservoirs is different than what is currently estimated. Actual reserves and resources may be greater than or less than the estimates provided herein. See "RISK FACTORS".

Hoole Oil Sands Reserves, Resources and Related Information

Regulatory approval for a 10,000 Bbl/d in-situ Steam Assisted Gravity Drainage ("SAGD") development at the Hoole oil sands property was received in 2014. The application was submitted in November 2012 following completion of field work, preliminary front-end engineering and design, and reservoir modeling/simulation, which was verified by core flood experiments. Development of the Hoole oil sands leases is anticipated to be a multi-phase project with production capacity expected to exceed 100,000 Bbl/d.

McDaniel evaluated and prepared reports on the oil sands reserves and resources within the Grand Rapids formation in the Hoole oil sands leases. At the time of the evaluation, 80 oil sands evaluation wells had been drilled, including 37 with cores cut in the Grand Rapids formation. The McDaniel evaluation was prepared with an effective date of December 31, 2014, in accordance with NI 51-101 and the COGE Handbook.

McDaniel's evaluation ascribed 93 million barrels of Probable Reserves with a net present value (11) (discounted at 10 percent) of $363 million to Hoole Grand Rapids Phase 1. Over and above the aforementioned reserves, the evaluation ascribed 1,157 million barrels of Economic Contingent Resources (6) (best estimate (4)) with a net present value (discounted at 10 percent) of $2.4 billion to the remaining approximate 82 sections of Cavalier's Hoole oil sands leases (the "Remaining Hoole Leases" and collectively with Hoole Grand Rapids Phase 1, the "Hoole Project").

Hoole Grand Rapids Phase 1 – December 31, 2014 Reserves and Net Present Value of Future Net Revenue – Forecast Prices and Costs

The following tables summarize gross and net reserve volumes and the net present value of future net revenue attributable to Cavalier's Hoole Grand Rapids Phase 1 evaluated by McDaniel effective December 31, 2014 using forecast prices and costs. The net present values are reported before income tax and after income tax and have been discounted using rates of 0 percent, 5 percent, 10 percent, 15 percent and 20 percent as well as on a net unit value basis at a discount rate of 10 percent before income taxes. Future net revenue does not represent fair market value.

	Bitumen Reserves	
Category	Gross* (MBbl)	Net* (MBbl)
Probable Undeveloped*	93,468	74,623
Possible Undeveloped (5)	15,591	9,488

See notes and definitions below.
* Defined previously – see "NARRATIVE DESCRIPTION OF THE BUSINESS – RESERVES AND OTHER OIL AND GAS INFORMATION"

Category	Net Present Value (NPV) of Future Net Revenue (11) ($ millions) — Before Income Tax (discounted at) 0%	5%	10%	15%	20%	After Income Tax (discounted at) 0%	5%	10%	15%	20%	NPV (11) Before Income Tax Discounted at 10% ($/Bbl)
Probable Undeveloped*	2,328	934	363	106	(19)	1,736	658	220	25	(68)	4.87
Possible Undeveloped (5)	838	376	204	128	89	629	285	157	101	72	21.45

See notes and definitions below.
* Defined previously – see "NARRATIVE DESCRIPTION OF THE BUSINESS – RESERVES AND OTHER OIL AND GAS INFORMATION"

For additional information regarding the probable reserves relating to Hoole Grand Rapids Phase 1, see "NARRATIVE DESCRIPTION OF THE BUSINESS – RESERVES AND OTHER OIL AND GAS INFORMATION".

Remaining Hoole Leases – December 31, 2014 Resources Information

The following table summarizes Cavalier's Hoole oil sands resources attributable to Cavalier's Remaining Hoole Leases within the Grand Rapids formation evaluated by McDaniel effective December 31, 2014 using forecast prices and costs:

Category / Level of Certainty (4)	Discovered Exploitable Bitumen In Place (8) Gross* (MBbl)	Economic Contingent Resources (6) (7) Gross* (MBbl)
High Estimate	2,565,511	1,491,775
Best Estimate	2,501,692	1,156,692
Low Estimate	2,436,427	871,726

See notes and definitions below
* Defined previously – see "NARRATIVE DESCRIPTION OF THE BUSINESS – RESERVES AND OTHER OIL AND GAS INFORMATION"

Category / Level of Certainty (4)	Economic Contingent Resources (6) (7) Net Present Value (NPV) of Future Net Revenue (11) ($ millions) — Before Income Tax (discounted at) 0%	5%	10%	15%
High Estimate	50,518	13,484	4,191	1,379
Best Estimate	33,486	8,476	2,382	593
Low Estimate	18,372	4,573	965	(69)

See notes and definitions below

The reclassification of Economic Contingent Resources to proved or probable reserves at Hoole is dependent upon, among other things, the following non-technical factors: finalization of plans for the initial development of the Hoole oil sands, regulatory approval, access to capital markets and other sources of funding, and intent to proceed by Cavalier evidenced by a development plan with major capital expenditures and sanctioning by Cavalier's Board of Directors.

Saleski Oil Sands Resources and Related Information

McDaniel was also retained in 2011 to evaluate and prepare reports on the carbonate bitumen resources associated with Cavalier's Saleski oil sands leases. The McDaniel evaluation was prepared with an effective date of October 31, 2011, in accordance with NI 51-101 and the standards for resources definitions contained in the COGE Handbook. At the time of the evaluation, ten oil sands evaluation wells had been drilled. McDaniel's evaluation was limited to the Grosmont formation and is based on the resource being exploited using SAGD. The technology required to economically produce bitumen from carbonate formations is currently in the development stage and pilot projects by others in the industry are ongoing. At the time of the evaluation, there was insufficient economic data available for McDaniel to apply economic cutoffs or estimate future net revenue.

Category / Level of Certainty (4)	Discovered Exploitable Bitumen In Place (8) (MBbl)	Undiscovered Exploitable Bitumen In Place (9) (MBbl)	Contingent Resources (Technology Under Development) (6) (MBbl)	Prospective Resources (10) (MBbl)
High Estimate	1,184,641	133,904	566,795	62,754
Best Estimate	1,184,641	109,332	380,493	34,006
Low Estimate	1,184,641	89,269	-	-

See notes and definitions below

Other Carbonate Leases Resources and Related Information

The table below summarizes the estimated volumes attributable to the carbonate bitumen resources associated with Cavalier's Other Carbonate Leases (defined below) as evaluated by McDaniel as of October 31, 2011, in accordance with NI 51-101 and the standards for resource definitions contained in the COGE Handbook. McDaniel's evaluation was limited to the Grosmont formation and is based on these resources being exploited using SAGD. The technology required to economically produce bitumen from carbonate formations is currently in the development stage and pilot projects by others in the industry are ongoing. At the time of the evaluation, there was insufficient economic data available for McDaniel to apply economic cutoffs or estimate future net revenue.

Category / Level of Certainty (4)	Discovered Exploitable Bitumen In Place (8) (MBbl)	Undiscovered Exploitable Bitumen In Place (9) (MBbl)	Contingent Resources (Technology Under Development) (6) (MBbl)	Prospective Resources (10) (MBbl)
Best Estimate	430,586	4,418,573	111,118	1,073,439

See notes and definitions below

Notes:

1. **"Gross"** acres means the total acreage in which Cavalier has an interest.

2. **"Net"** acres means Cavalier's gross working interest acres multiplied by Cavalier's working interest therein.

3. **"Other Carbonate Leases"** include leases at Orchid, Granor and House in the Athabasca region of Alberta.

4. **High Estimate** is considered to be an optimistic estimate of the quantity of resources that will actually be recovered. It is unlikely that the actual remaining quantities of resources recovered will meet or exceed the high estimate. Those resources at the high end of the estimate range have a lower degree of certainty (a 10 percent confidence level) that the actual quantities recovered will equal or exceed the estimate. **Best Estimate** is considered to be the best estimate of the quantity of contingent resources that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate (or stated another way, there is a 50 percent confidence level that the actual quantities recovered will equal or exceed the best estimate amount). **Low Estimate** is considered to be a conservative estimate of the quantity of resources that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. Those resources at the low end of the estimate range have the highest degree of certainty (a 90 percent confidence level) that the actual quantities recovered will equal or exceed the estimate.

5. **Possible Reserves** are those additional reserves that are less certain to be recovered than probable reserves. There is a 10 percent probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

6. **Contingent Resources** are those quantities of bitumen resources estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but are classified as resources rather than reserves due to one or more contingencies, such as the absence of regulatory applications, detailed design estimates or near term development plans. **Economic Contingent Resources** are a sub-category of contingent resources that are considered to be currently economically recoverable based on the reserves evaluator's then current forecasts of commodity prices and costs.

   At Hoole, a portion of Cavalier's economic contingent resources were re-classified by McDaniel as probable reserves in McDaniel's evaluation effective as of December 31, 2012 by virtue of Cavalier having finalized its plans for a pilot project and submitting a regulatory application for this pilot project. Cavalier will need to finalize plans for the commercial development of the balance of the Hoole oil sands properties and submit regulatory applications for their development before the balance of Cavalier's contingent resources at Hoole can be re-classified as probable reserves. These same contingencies will also have to be overcome in the case of Saleski and the Other Carbonate Leases in order for Cavalier's contingent resources in these properties to be reclassified as probable reserves. In addition, as sustained commercial production has not yet been obtained from any carbonate bitumen reservoirs, it will also be necessary in the case of Saleski and the Other Carbonate Leases to demonstrate the successful application of SAGD or other production technology to the carbonate reservoirs (or a reasonable analog thereof). It is for this reason that Cavalier's bitumen resources at Saleski and the Other Carbonate Leases are referred to as **Contingent Resources (Technology under Development)**. There is no certainty that it will be commercially viable to produce any portion of Cavalier's contingent resources at Hoole, Saleski or the Other Carbonate Leases.

7. Represents the Company's share of recoverable volumes before deduction of royalties. In the assessment of Contingent Resources, McDaniel used a minimum net pay cut-off of 10 meters in the best estimate case.

8. **Discovered Bitumen In Place ("DBIP")** is the aggregate quantity of bitumen that is estimated, as of a given date, to be contained in a known accumulation prior to production. To qualify as **"discovered exploitable bitumen in place" or "DEBIP"** these volumes must be contained in a

reservoir that meets or exceeds certain characteristics, such as minimum continuous net pay, porosity and mass bitumen content. DBIP or DEBIP volumes that are considered to be recoverable as of a given date are classified as reserves or contingent resources (with the remaining DBIP or DBEIP volumes being those that are considered to be unrecoverable as of that date).

At Hoole, DEBIP volumes have been ascribed by McDaniel to those portions of the Grand Rapids formation where they felt minimum continuous net pay, porosity, mass bitumen content and other reservoir characteristics allowed for the commercial application of known recovery technologies. For Saleski and the Other Carbonate Leases, DEBIP volumes have been restricted to those portions of the reservoirs that have a minimum thickness of 10 meters of substantially clean, continuous predominantly bitumen-saturated carbonate with log porosity meeting of at least 10 percent and bitumen saturation greater than 50 percent, and with competent top and lateral reservoir containment. In addition, DEBIP volumes have been generally limited to areas within one mile of known data points that penetrate the applicable stratigraphic intervals and possess definitive geophysical log data. However, in certain circumstances, DEBIP volumes have generally been assigned to areas outside these one mile limits where it was felt that reservoir continuity existed between offsetting data points. There is no certainty that it will ever be commercially viable to produce any portion of: (i) the DEBIP at Hoole or at Saleski or the Other Carbonate Leases; or (ii) the DBIP at Eagles Nest.

9. **Undiscovered Bitumen In Place ("UDBIP")** is the aggregate quantity of bitumen that is estimated, as of a given date, to be contained in accumulations that have yet to be discovered. To qualify as **"undiscovered exploitable bitumen in place" or "UDEBIP"**, these volumes must have been mapped using known data points penetrating the applicable subsurface stratigraphic intervals and possess definitive geophysical log data along with seismic data and regional mapping. There is no certainty that any of the UDEBIP at Saleski and the Other Carbonate Leases will ever be discovered, or if is discovered that it will ever be commercially viable to produce any portion of it.

10. **Prospective Resources** are those quantities of bitumen estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

11. **Net Present Value or "NPV"** of Cavalier's probable undeveloped reserves and economic contingent resources at Hoole represents McDaniel's estimates of Cavalier's share of the net present value of future net revenues, before the deduction of income taxes, from these reserves and resources discounted at various discount rates. In calculating these NPVs, McDaniel considered items such as revenues, royalties, operating costs, abandonment costs and capital expenditures (but excluding financing and general and administrative costs). Their calculations assume natural gas is used as a fuel for steam generation, and are based on McDaniel's forecast commodity prices and costs as of December 31, 2014. Royalties have been calculated based on Alberta's Royalty Framework applicable to oil sands projects. McDaniel's estimated NPVs do not represent fair market value.

Risk Factors – Cavalier

There are numerous risks associated with the development of the oil sands and carbonate bitumen assets held by Cavalier. Cavalier currently has no bitumen production and there are no assurances that any of its properties will commence production, generate earnings, operate profitably or provide a return on investment in the future. In addition to the risks identified in the "RISK FACTORS" section of this Annual Information Form, the following list describes risks that are specific to Cavalier's oil sands and carbonate bitumen assets.

Volatility of Bitumen, natural gas and NGLs prices and price differentials

Natural gas and NGLs are used as inputs for oil sands and carbonate bitumen operations. Accordingly, Cavalier could be negatively affected not only by declines in the price of bitumen (which is subject to all of the same market and other factors that affect the price of oil as described in the "RISK FACTORS" section above), but also by increases in the price of natural gas and NGLs. More specifically, any substantial and extended weakness in the price of bitumen and/or strength in the price of natural gas and NGLs would have an adverse effect, possibly significant, on the value of Cavalier's assets, the economics of the Hoole Project, and the decision whether or not to proceed with the development of Cavalier's oil sands and carbonate bitumen assets.

Ability to raise sufficient capital

Significant amounts of capital will be required to fund the costs of developing Hoole Grand Rapids Phase 1 and the Remaining Hoole Leases, and to continue the evaluation and potential development of Cavalier's other oil sands and carbonate bitumen assets. There is no assurance that Cavalier will be able to obtain this required capital through equity and/or debt financings, loans, joint ventures, sales of assets, or combination thereof. Failure to obtain these necessary funds could result in delays or an inability to develop the projects.

Delays in obtaining, or inability to obtain, the required regulatory approvals

There can be no assurance that further regulatory approvals needed for the development of Hoole Grand Rapids Phase 1 (or any of Cavalier's other oil sands or carbonate bitumen assets) can be obtained on a timely basis, on acceptable terms, or at all. If these regulatory approvals are not received, these projects will be unable to proceed.

Oil sands and carbonate bitumen projects are at the early stage of their development

Cavalier's Hoole oil sands and Eagles Nest leases are prospective for bitumen recovery from clastic reservoirs, whereas its Saleski and Other Carbonate Leases are prospective for bitumen recovery from carbonate reservoirs. Currently, there are numerous commercial projects which produce from clastic reservoirs using SAGD and other recovery processes. The successful development of Cavalier's carbonate reservoirs depends on, among other things, the successful development and application of SAGD or other processes for bitumen recovery from these reservoirs. Currently, there are several pilot projects underway in Alberta for bitumen recovery from carbonate reservoirs. The main risks associated with SAGD recovery in carbonate reservoirs include the possibility of unexpected steam channeling or operating problems due to wellbore plugging. These risks could result in increased operating costs, lower production rates, and reduced economically recoverable bitumen volumes, resulting in an uneconomic project.

Cavalier's Hoole Project is at the early stages of its planned development schedule and there is a risk that the project will not be commenced or, if commenced, will not be completed on time or within the estimates for scope and cost or at all.

Additionally, there is a risk that the Hoole Project may have delays, interruption of operations or increased costs as the project progresses due to many factors, including, without limitation: breakdown or failure of equipment or processes; construction performance falling below expected levels of output or efficiency; design errors; contractor or operator errors; non-performance by third-party contractors; labour disputes, disruptions or declines in productivity; increases in materials or labour costs; shortage of fabrication facilities; inability to attract sufficient numbers of qualified workers; delays in obtaining or conditions imposed by, regulatory approvals; changes in scope of the projects; violation of permit requirements; disruption in the supply of energy; unforeseen political events; local, First Nations and political opposition; and catastrophic events such as fires, earthquakes, storms or explosions. Given the stage of development of the Hoole Project, changes are likely to be made prior to their completion which could have a material impact both in terms of design and cost.

Cavalier's other oil sands and carbonate bitumen assets are at an even earlier stage of development when compared to the Hoole Project and are subject to similar risks described above plus additional risks associated with advancing these assets and resources to a stage ready for regulatory submission and approval.

These above risks could adversely impact the value of Cavalier's oil sands and carbonate bitumen assets, the amount of capital available to further evaluate and develop these assets, and the timing and progress of and production from any projects.

Cost overruns

Historically oil sands projects have experienced capital cost overruns due to a variety of factors. There is no assurance that the development of Cavalier's Hoole Project or other oil sands and carbonate bitumen leases will proceed or be met without delays or unforeseen and adverse effects upon the projects' budgets.

The costs to construct the Hoole Project have not been fixed and remain dependent upon completion of testing, final engineering, and contracting. There is no assurance that the current construction and operations schedules will proceed as planned without any delays or cost overruns or at all. Any delays may increase the costs of the projects, requiring additional capital, and there can be no assurance that such capital will be available in a timely and cost-effective fashion or at all.

Development of the projects may be adversely affected by one or more factors commonly associated with large industrial projects such as shortages of capital, equipment, materials or labour, fluctuations in the prices of building materials, particularly steel, delays in delivery of equipment and materials, labour disputes, political events, local, First Nations and political opposition, blockades or embargoes, litigation, adverse weather conditions, unanticipated increases in costs, natural disasters, accidents, unforeseen engineering, design, environmental or geological problems and other unforeseen circumstances. Any of these events or other unanticipated events could give rise to delays in development and completion of the projects and cost overruns.

Operations and ability to market

In the event that the Hoole Project or Cavalier's other oil sands or carbonate bitumen leases are developed and become operational, there can be no assurance that bitumen will be produced or, if produced, will be produced in economic quantities or at the costs anticipated and will continue producing. Because operating costs to produce bitumen from oil sands or carbonate may be substantially higher than operating costs to produce conventional crude oil, an increase in such costs, including the price of natural gas and power, may render extraction of bitumen resources from these projects uneconomic. Moreover, it is possible that other developments, such as increasingly strict environmental and safety laws and regulations and enforcement policies thereunder and claims for damages to property or persons resulting from a project's operations, could result in substantial costs and liabilities, delays or an inability to complete these projects or the abandonment of these projects.

The marketability of the bitumen associated with the oil sands and carbonate bitumen assets will be affected by numerous factors beyond Cavalier's control. These factors include, but are not limited to, market fluctuations of prices, including price differentials for bitumen relative to quoted market prices for other types of crude oil, proximity and capacity of pipelines and processing equipment, equipment availability and government regulations (including, without limitation, regulations relating to prices, taxes, royalties, land tenure, allowable production, importing and exporting of oil and gas and environmental protection). In the case of pipeline capacity, delays in obtaining approvals for proposed crude oil export pipelines because of environmental opposition and other concerns could have a disproportionate impact on oil sands producers. The precise impact of these factors cannot be accurately predicted, but they could result in there not being an adequate return on invested capital.

Environmental regulations

Oil sands operations are subject to federal, provincial, and local laws and regulations. In Alberta, these include requirements for SAGD facilities to obtain water licenses from the Alberta Environment Regulator in order to utilize water in their operations. Changes to environmental laws and regulations or an inability to obtain water licenses may result in increased costs or an inability to complete projects, each of which could have a material adverse effect on Cavalier and its assets, results of operations or ability to execute it business plans.

The development of Cavalier's oil sands and carbonate bitumen assets will be subject to GHG emission reporting and reduction requirements. Alberta currently regulates GHG emissions under the *Climate and Emissions Management Act*, the *Specified Gas Reporting Regulations* (the "SGRR"), which imposes GHG emissions reporting requirements, and the *Specified Gas Emitters Regulations* (the "SGER"), which imposes GHG emission intensity limits. If and when Hoole Grand Rapids Phase 1 commences operation it would be subject to compliance obligations under these regulations, as would all further developments of Cavalier's oil sands and carbonate bitumen assets. See "NARRATIVE DESCRIPTION OF THE BUSINESS – GENERAL" in this Annual Information Form for additional information regarding GHG reduction obligations and options to comply with regulations.

In addition, the oil and gas industry is expected to be the next sector of the economy where the federal government will regulate GHG emissions. At present, it is not possible to predict what impact these regulations, or any future changes in Alberta's GHG regulations, could have on Cavalier and its assets, results of operation or ability to execute it business plans. However, oil sands producers could be disproportionately impacted by these regulations because of the energy intensive nature of oil sands operations (and in particular SAGD operations). In addition, the possibility exists that Canadian or foreign governments could pass GHG or other regulations that seek to restrict oil sands development because of pressure applied by environmental or other advocacy groups. See “RISK FACTORS – COMPLIANCE WITH AND CHANGES TO ENVIRONMENTAL, HEALTH AND SAFETY LAWS AND REGULATIONS” section in this Annual Information Form.

Other

APPENDIX C – REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION includes Cavalier, which was a wholly-owned subsidiary of Paramount as at December 31, 2014.

APPENDIX F
PARAMOUNT RESOURCES LTD.
AUDIT COMMITTEE CHARTER

(Adopted by the Board of Directors on May 19, 2005 and amended to May 18, 2011)

A. PURPOSE

The overall purpose of the Audit Committee (the "Committee") is to ensure that the Corporation's management has designed and implemented an effective system of internal financial controls and disclosure controls and procedures, to review and report on the integrity of the consolidated financial statements of the Corporation, to review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts and to review the Corporation's externally disclosed oil and gas reserves estimates including reviewing the qualifications of, and procedures used by, the independent engineering firm responsible for evaluating the Corporation's reserves.

B. COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of at least three members of the Board of Directors (the "Board"), all of whom shall be "independent", as that term is defined in Sections 1.4 and 1.5 of National Instrument 52-110, Audit Committees[i] and who meet the requirements of Section 3.5(1) of National Instrument 51-1011 - Standards of Disclosure *for Oil and Gas Activities.*

2. All of the members of the Committee shall be "financially literate" (i.e. able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of those of the Corporation and that can be reasonably expected to be raised by the Corporation's financial statements).

3. The Board shall appoint the members of the Committee. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.

4. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from among their members.

5. The Corporate Secretary of the Corporation shall be the secretary of the Committee, unless otherwise determined by the Committee.

6. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.

7. The Committee shall have access to such officers and employees of the Corporation and to the Corporation's external auditors, and to such information respecting the Corporation, as it considers necessary or advisable in order to perform its duties and responsibilities.

8. Meetings of the Committee shall be conducted as follows:

   (a) The Committee shall meet at least four times annually at such times and at such locations as may be requested by the chair of the Committee. The external auditors or any member of the Committee may request a meeting of the Committee;

   (b) the external auditors shall receive notice of and have the right to attend all meetings of the Committee; and

(c) the following management representatives shall be invited to attend all meetings, except executive sessions and private sessions with the external auditors:

President and Chief Operating Officer

Chief Financial Officer

Controller

Corporate Secretary

(d) other management representatives shall be invited to attend as necessary.

9. The external auditors shall report directly to the Committee and the external auditors and internal auditors (if any) shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee of the Corporation as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

10. The Committee may retain, at the Corporation's expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties and may set and pay the compensation for any advisor engaged. The Committee will notify the Chairman of the Corporate Governance Committee whenever independent consultants are engaged.

C. ROLES AND RESPONSIBILITIES

1. The overall duties and responsibilities of the Committee shall be as follows:

(a) to assist the Board in the discharge of its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls and its approval of the Corporation's annual and quarterly consolidated financial statements and management's discussion and analysis;

(b) to establish and maintain a direct line of communication with the Corporation's internal (if any) and external auditors and assess their performance;

(c) to ensure that the management of the Corporation has designed, implemented and is maintaining an effective system of internal financial controls and disclosure controls and procedures;

(d) to periodically review the audit and non-audit services pre-approval policy and recommend to the Board any changes which the Committee deems appropriate;

(e) to periodically consider whether there is a need to outsource internal audit functions or create an internal audit department;

(f) to assist the Board in the discharge of its responsibilities relating to the evaluation and disclosure of its oil and gas reserves and oil and gas activities and the approval and filing of all necessary statements and reports related thereto;

(g) to receive and review complaints received pursuant to the Corporation's Whistleblower Policy and oversee and provide direction on the investigation and resolution of such concerns and to periodically review the said policy and recommend to the Board changes which the Committee may deem appropriate;

(h) to report regularly to the Board on the fulfillment of its duties and responsibilities;

(i) to identify and monitor the management of the principal risks that could impact the financial reporting of the Corporation; and

(j) to review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

2. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:

(a) to be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting;

(b) to recommend to the Board a firm of external auditors to be nominated for appointment by the shareholders of the Corporation, and to monitor and verify the independence of such external auditors;

(c) to review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;

(d) review the audit plan of the external auditors prior to the commencement of the audit;

(e) to review with the external auditors, upon completion of their audit:

i contents of their report;

ii scope and quality of the audit work performed;

iii adequacy of the Corporation's financial and auditing personnel;

iv co-operation received from the Corporation's personnel during the audit;

v internal resources used;

vi significant transactions outside of the normal business of the Corporation;

vii significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and

viii the non-audit services provided by the external auditors, as pre-approved pursuant to the audit and non-audit services pre-approval policy;

(f) to discuss with the external auditors the quality and not just the acceptability of the Corporation's accounting principles;

(g) to review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and

(h) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management.

3. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:

(a) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to insurance, accounting, information services and systems and financial controls, management reporting and risk management;

(b) review compliance under the Corporation's Code of Business Conduct Policy with those matters addressed in the policy which affect the financial integrity of the Corporation and to periodically review this policy and recommend to the Board changes which the Committee may deem appropriate; and

(c) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal accounting staff or by the external auditors have been implemented.

4. The Committee is also charged with the responsibility to:

(a) review and recommend to the Board for its approval, the Corporation’s and its subsidiaries, partnerships and joint venturers, as applicable, annual financial statements, management’s discussion and analysis, annual information form and annual earnings press releases before the Corporation publicly discloses this information;

(b) review and approve the Corporation’s and its subsidiaries, partnerships and joint venturers, as applicable, interim financial statements, interim management’s discussion and analysis including the impact of unusual items and changes in accounting principles and estimates and report to the Board in due course with respect thereto and to review and approve the Corporation’s interim earnings press releases before the Corporation publicly discloses this information;

(c) review and approve the financial sections of:

i the annual report to shareholders;

ii the annual information form;

iii prospectuses;

iv other public reports requiring approval by the Board; and

v press releases related there to, and report to the Board with respect thereto;

(d) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;

(e) review the appropriateness of the policies and procedures used in the preparation of the Corporation's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;

(f) review and report on the integrity of the Corporation’s consolidated financial statements;

(g) review the minutes of any audit committee meeting of any subsidiary of the Corporation;

(h) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;

(i) review the Corporation’s compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of material facts; and

(j) develop a calendar of activities to be undertaken by the Committee for each ensuing year related to the Committee's duties and responsibilities as set forth in this Charter and to submit the calendar in the appropriate format to the Board of Directors within a reasonable period of time following each annual general meeting of shareholders.

5. The duties and responsibilities of the Committee as they relate to the Corporation's oil and gas reserves estimates are to:

(a) review, with reasonable frequency, the Corporation's procedures relating to the disclosure of information with respect to oil and gas activities, including its procedures for complying with the disclosure requirements and restrictions of all applicable laws, rules, regulations and policies including National Instrument 51-101 and amendments thereto;

(b) review the appointment of the independent engineering firm responsible for evaluating the Corporation's reserves, and in the case of any proposed change in such appointment, determine the reasons for the proposal and whether there have been disputes between the appointed reserves evaluator and Management of the Corporation;

(c) review, with reasonable frequency, the Corporation's procedures for providing information to the reserves evaluator;

(d) before recommending the approval of the filing of reserves data and the report of the reserves evaluator as required under all applicable laws, rules, regulations and policies including National Instrument 51-101 and amendments thereto, meet with Management and the reserves evaluator to:

i determine whether any restrictions affect the ability of the reserves evaluator to report on reserves data without reservation, and

ii review the reserves data and the report of the reserves evaluator;

(e) review, discuss with and make recommendations to the Board with respect to:

i approving the content and filing of the reserves statement;

ii the filing of the report of the reserves evaluator; and

iii the content and filing of the report of Management and Directors;

as required or specified under all applicable laws, rules, regulations and policies including National Instrument 51-101 and amendments thereto.

D. ANNUAL REVIEW AND ASSESSMENT

The Committee shall conduct an annual review and assessment of its performance, including compliance with this Charter and its role, duties and responsibilities, and submit such report to the Board of Directors.

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(1) Definitions from National Instrument 52-110, National Instrument 51-101, and the Sarbanes-Oxley Act have been omitted.