Paramount resources ltd.

Second Quarter 2017 Press Release

Paramount Resources Ltd. Announces Second Quarter 2017 Results

Calgary, Alberta – August 9, 2017

OIL AND GAS OPERATIONS

- Paramount's second quarter 2017 sales volumes averaged 18,367 Boe/d (52 percent Liquids), including approximately 12,700 Boe/d (60 percent Liquids) from Karr-Gold Creek. Liquids sales revenue totaled $45.4 million in the second quarter of 2017, 74 percent of the Company's total petroleum and natural gas sales revenue.
- Company sales volumes averaged approximately 22,000 Boe/d in June and 27,000 Boe/d (53 percent Liquids) in July as new wells were brought on at Karr-Gold Creek through the Company's expanded 80 MMcf/d compression and dehydration facility (the "6-18 Facility"). During the last week of July, Paramount's sales volumes averaged approximately 30,000 Boe/d (53 percent Liquids), with record sales volumes being achieved at Karr-Gold Creek.
- All 27 wells from the 2016/17 Karr-Gold Creek Montney development program have been drilled. A total of 21 wells have been completed and 17 have been brought on production to date. On average, these new wells have met or exceeded type curve expectations for the program.
- The Company continues to advance its completion techniques and well design at Karr-Gold Creek to further enhance well performance and generate higher returns.
- Principal Properties capital expenditures in the second quarter of 2017 totaled $112.0 million. The majority of spending was directed towards the Karr-Gold Creek development program.
- Paramount closed the sale of its oil and gas properties in the Valhalla area of Alberta for cash consideration of approximately $150 million at the end of May 2017. The properties had average sales volumes of approximately 1,400 Boe/d (8 percent Liquids) in 2017 prior to being sold.

CORPORATE

- In July 2017, Paramount entered into an agreement to acquire Apache Canada Ltd. ("Apache Canada") for $459.5 million, plus working capital and other monetary adjustments (the "Apache Canada Acquisition").
- In July 2017, Paramount also entered into an agreement to merge with Trilogy Energy Corp. ("Trilogy") by way of an arrangement under the *Business Corporations Act* (Alberta). Pursuant to the arrangement, Paramount will acquire all of the common shares and non-voting shares of Trilogy not already owned by Paramount in exchange for Class A common shares of Paramount on the basis of one Paramount share for every 3.75 Trilogy shares (the "Merger").

- At June 30, 2017, Paramount had $565.6 million of cash and cash equivalents and no indebtedness.
- Paramount's revolving bank credit facility was increased from $100 million to $300 million following completion of the annual review. It is anticipated that further amendments will be made to the facility following closing of the Apache Canada Acquisition and the Merger.
- Second quarter 2017 funds flow from operations totaled $35.2 million.
- In April 2017, the Company hedged 10,000 MMBtu/d of natural gas (for May to October 2017) at an average NYMEX price of US$3.37/MMBtu and 20,000 MMBtu/d of natural gas (for May to December 2017) at an average NYMEX price of US$3.40/MMBtu.

REVIEW OF OPERATIONS

Karr-Gold Creek

Development activities at Karr-Gold Creek are currently focused on a 27 (27.0 net) well horizontal Montney drilling and completion program that commenced in mid-2016 (the "Karr Program"). Karr Program wells have been designed with longer horizontal laterals of approximately 3,000 meters, higher intensity completions, tighter frack spacing and different completion fluids compared to prior years. The new well design is expected to significantly increase well productivity and recoverable reserves compared to the previous designs.

The status of the Karr Program to date is as follows:

As of	Aug 4/17	Dec 31/16
Wells Spud	27	20
Wells Rig Released	27	10
Wells Completed	21	2
Wells Brought on Production	17	1

All 27 wells from the Karr Program have now been drilled, with average per-well costs of approximately $3.8 million (approximately 5 to 10 percent higher than original estimates). A total of 21 Karr Program wells have been completed and 17 have been brought on production to date. Completion costs for Karr Program wells have averaged approximately 10 to 15 percent higher than original estimates of $5.7 million per-well (four-well pad) as a result of changes to completion techniques and well design modifications which are expected to further enhance well performance and returns. Cost inflation for materials and field services also resulted in higher than estimated completion costs. The remaining six wells in the Karr Program are expected to be completed later in 2017 and early 2018.

Paramount continues to target Karr Program well completions with proppant loading intensities of approximately 2.4 tonnes per meter and stage spacing of between 40 and 50 meters using a range of completion technologies. Paramount recently set a new Company record, completing 16 plug and perf stages with zipper fracturing techniques in one day. In addition, well design continues to evolve with the testing of perforating techniques and modifications to proppant types. The Company will continue to evaluate these technologies as the Karr Program progresses and additional well performance data are obtained.

The Company is currently constructing a 300,000 m^3 permanent water storage reservoir at Karr-Gold Creek, which will provide a larger water storage solution for completion operations and reduce the need for tank rentals. In addition, Paramount recently re-completed a well for water disposal and tied the well into the Company's wholly-owned 6-18 Facility. Both actions of these projects are part of the Company's overall water management program that are expected to reduce costs over the long-term.

Paramount's second quarter 2017 sales volumes averaged 18,367 Boe/d (52 percent Liquids), including approximately 12,700 Boe/d (60 percent Liquids) from Karr-Gold Creek.

In April 2017, Paramount completed the expansion of its wholly-owned 6-18 Facility, doubling capacity of the facility to 80 MMcf/d. Company sales volumes were reduced to approximately 12,000 Boe/d in April 2017 as the majority of production at Karr-Gold Creek was shut-in for a two-week period to complete commissioning of the expanded facility. Commissioning was accelerated to coincide with an outage at a downstream third-party processing facility (the "Third-party Facility").

Following the 6-18 Facility expansion, Paramount brought-on additional new wells from the Karr Program, increasing total Company sales volumes to approximately 22,000 Boe/d in June and 27,000 Boe/d (53 percent Liquids) in July. During the last week of July, Paramount's sales volumes averaged approximately 30,000 Boe/d (53 percent Liquids), with record sales volumes being achieved at Karr-Gold Creek. On average, wells brought-on production to date from the Karr Program have met or exceeded type curve expectations for the program.

Sales volumes in August 2017 will be impacted by scheduled outages at the Third-party Facility and a third-party natural gas pipeline that are expected to shut-in Karr-Gold Creek production for most of the month.

Production at Karr-Gold Creek is transported through a Company-owned gathering system and compressed and dehydrated at the 6-18 Facility. Volumes are then shipped via pipeline to the Third-party Facility under a long-term firm-service arrangement to provide sales specification natural gas, condensate and $C3^+$. The 6-18 Facility has been equipped to facilitate the trucking out of Liquids so that volumes in excess of contracted capacity at the Third-party Facility can be transported for processing at alternate locations. Paramount expects the majority of Liquids production to be trucked until mid-2018, when a condensate stabilization capacity expansion at the Third-party Facility is completed. The Company has contracted a dedicated fleet of trucks and 24-hour logistical services over this period to provide uninterrupted egress for Liquids production.

Smoky/Resthaven

Paramount has drilled five (4.5 net) of six planned wells in its Cretaceous exploration and delineation program at Smoky/Resthaven to the end of July. Three of the wells have been completed to the end of July and completion operations for the remaining two wells are in-progress. These wells are expected to be brought on production later in the year. Drilling of the sixth well is planned for the fourth quarter of 2017 at a winter access location.

The Company has drilled one (1.0 net) new Montney well in the northern portion of its lands at Smoky/Resthaven and completion operations are scheduled for later in the third quarter of 2017. The well design for this new location is expected to be similar to the Karr Program, with a planned horizontal lateral length of approximately 3,000 meters, slickwater completion fluids, approximately 70 fracture stages and proppant loading of approximately 2.4 tonnes per meter.

Birch

A total of seven (3.5 net) Montney wells have been drilled to the end of July in the planned ten (5.0 net) well drilling program at the non-operated Birch property. The remaining three (1.5 net) wells are scheduled to be drilled in the third quarter.

Two of the wells have been completed and brought onto production to the end of July. All of the wells drilled in the 2017 Birch drilling program are expected to be completed by the end of the year, except for one well which was drilled for land retention.

The expansion of the Birch compression and dehydration facility to 40 MMcf/d (20 MMcf/d net) is progressing on schedule to be completed in the third quarter of 2017.

Non-Core Property Dispositions

In May 2017, the Company sold its oil and gas properties in the Valhalla area of Alberta for cash consideration of approximately $150 million. The properties encompassed approximately 94 (74 net) sections of land and had average sales volumes of approximately 1,400 Boe/d (8 percent Liquids) in 2017 prior to being sold.

APACHE CANADA ACQUISITION AND THE MERGER

In July 2017, Paramount entered into an agreement with certain subsidiaries of Apache Corporation to acquire all of the shares of Apache Canada Ltd. for $459.5 million, plus working capital and other monetary adjustments.

In July 2017, Paramount also entered into an agreement to merge with Trilogy by way of an arrangement under the Business Corporations Act (Alberta). Pursuant to the arrangement, Paramount will acquire all of the common shares and non-voting shares of Trilogy not already owned by Paramount in exchange for Class A common shares of Paramount on the basis of one Paramount share for every 3.75 Trilogy shares.

These strategic transactions are the next steps in Paramount's transformation following the sale of the Company's Musreau deep cut gas processing plant and properties in 2016 and the repayment of all debt then outstanding. The Company is redeploying its cash on hand and immediately increasing its production, cash flows, reserves and landholdings.

When the acquisition of Apache Canada and merger with Trilogy are completed, Paramount will become a Montney, Duvernay and Deep Basin focused intermediate exploration and production company with the financial strength to accelerate the development of a portfolio of top-tier resource plays and unlock the value of the underlying resources. The integration of the three companies will generate operational synergies, optimize cost structures, offer financial flexibility and provide economies of scale. Paramount's diversified production base will be capable of delivering repeatable, low risk growth and generating free cash flow in a variety of price environments.

The Apache Canada Acquisition is not conditional on the completion of the Merger. Closing of the Apache Canada Acquisition is expected to occur in August 2017, subject to customary closing conditions. The Merger is conditional upon the completion of the Apache Canada Acquisition and the receipt of court, shareholder and regulatory approvals and other customary closing conditions and is targeted for completion in September 2017. A joint information circular for the special meetings of shareholders of Paramount and Trilogy to consider the Merger is expected to be mailed in August.

Additional information concerning the Apache Canada Acquisition and the Merger can be found in Paramount's Press Release dated July 6, 2017 and Material Change Report dated July 14, 2017, both of which are available on SEDAR at www.sedar.com.

OUTLOOK

Following completion of the Apache Canada Acquisition and the Merger, Paramount's fourth quarter 2017 sales volumes are expected to exceed 90,000 Boe/d, including approximately 35 percent Liquids. Paramount's 2017 capital budget has been maintained at $385 million. The Company also expects to continue with the remaining portions of the Apache Canada and Trilogy capital programs subsequent to closing these transactions.

OPERATING AND FINANCIAL RESULTS [1]

($ millions, except as noted)

	Three months ended June 30			Six months ended June 30		
	2017	**2016**	*% Change*	**2017**	**2016**	*% Change*
Sales volumes – Ongoing Operations [2]						
Natural gas (MMcf/d)	**53.0**	46.3	*14*	**52.2**	49.7	*5*
Condensate & oil (Bbl/d)	**8,118**	2,471	*229*	**7,238**	2,712	*167*
Other NGLs (Bbl/d) [3]	**1,414**	1,042	*36*	**1,335**	805	*66*
Ongoing Operations (Boe/d) [2]	**18,367**	11,236	*63*	**17,271**	11,803	*46*
Musreau Assets (Boe/d) [2]	**—**	29,654	*(100)*	**—**	33,723	*(100)*
Total (Boe/d)	**18,367**	40,890	*(55)*	**17,271**	45,526	*(62)*
Netback – Ongoing Operations [2]						
Natural gas revenue	**15.6**	6.6	*136*	**32.0**	17.2	*86*
Condensate and oil revenue	**42.8**	11.6	*269*	**78.1**	22.2	*252*
Other NGLs revenue [3]	**2.6**	0.4	*550*	**5.3**	0.9	*489*
Royalty and sulphur revenue	**0.3**	0.4	*(25)*	**0.6**	0.6	–
Petroleum and natural gas sales	**61.3**	19.0	*223*	**116.0**	40.9	*184*
Royalties	**(0.8)**	0.5	*NM*	**(2.8)**	(0.6)	*367*
Operating expense	**(17.2)**	(12.3)	*40*	**(32.1)**	(26.5)	*21*
Transportation and NGLs processing [4]	**(8.2)**	(6.2)	*32*	**(14.3)**	(10.0)	*43*
Netback – Ongoing Operations [2]	**35.1**	1.0	*NM*	**66.8**	3.8	*NM*
($/Boe)	***21.05***	*0.94*	*NM*	***21.39***	*1.75*	*NM*
Exploration and Capital Expenditures – Ongoing Operations [2]						
Wells and exploration	**103.0**	4.1		**232.4**	10.6	
Facilities and gathering	**9.0**	1.9		**26.3**	7.7	
Principal Properties Capital [5]	**112.0**	6.0		**258.7**	18.3	
Strategic Investments	**0.7**	4.2		**1.6**	19.8	
Other	**2.0**	11.1		**3.5**	11.4	
Total	**114.7**	21.3		**263.8**	49.5	
Net income (loss)	**45.3**	(30.6)		**66.1**	(76.5)	
per share – diluted ($/share)	***0.42***	*(0.29)*		***0.62***	*(0.72)*	
Funds flow from operations	**35.2**	(4.9)		**63.2**	17.5	
per share – diluted ($/share)	***0.33***	*(0.05)*		***0.59***	*0.16*	
Total assets				**2,051.8**	2,158.1	
Cash and cash equivalents				**565.6**	11.6	
Long-term debt				**—**	1,244.6	
Investments in other entities – market value [6]				**140.4**	162.1	
Common shares outstanding *(thousands)*				**106,200**	106,241	

(1) Readers are referred to the advisories concerning Non-GAAP Measures and Oil and Gas Measures and Definitions in the Advisories section of this document.
(2) In 2016, the Company sold its natural gas processing facilities and the majority of its oil and gas properties in the Musreau/Kakwa area of west central Alberta. Disclosures of results for the three and six months ended June 30, 2016 for "Ongoing Operations" exclude amounts attributable to these sold facilities and oil and gas properties.
(3) Other NGLs means ethane, propane and butane.
(4) Includes downstream natural gas, NGLs and oil transportation costs and NGLs fractionation costs incurred by the Company.
(5) Principal Properties Capital includes capital expenditures and geological and geophysical costs related to the Company's Principal Properties and excludes land acquisitions.
(6) Based on the period-end closing prices of publicly-traded investments and the book value of the remaining investments.
(7) NM Not meaningful

Paramount is an independent, publicly traded, Canadian energy company that explores and develops unconventional and conventional petroleum and natural gas prospects, including long-term unconventional exploration and pre-development projects, and holds a portfolio of investments in other entities. The Company's principal properties are primarily located in Alberta and British Columbia. Paramount's Class A common shares are listed on the Toronto Stock Exchange under the symbol "POU".

Paramount's second quarter 2017 results, including Management's Discussion and Analysis and the Company's Consolidated Financial Statements will be made available shortly through Paramount's website at www.paramountres.com and SEDAR at www.sedar.com.

For further information, please contact:

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Advisories

Forward-looking Information

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

- the anticipated closing of the Apache Canada Acquisition and the Merger, including satisfaction of closing conditions, receipt of regulatory, shareholder and court approvals and the timing thereof;
- the anticipated timing of the mailing of the information circular in connection with the special meeting of Paramount shareholders being held to consider the Merger;
- the impact of the Apache Canada Acquisition and the Merger on the Company's financial position and strength, cost structures and strategy and the synergies, economies of scale and other benefits expected to be realized from the Apache Canada Acquisition and the Merger;
- projected production and sales volumes;
- forecast capital expenditures and operating costs;
- exploration, development, and associated operational plans and strategies (including planned drilling and completion programs, well tie-ins, and facility expansions, and the anticipated timing thereof);
- the ability to obtain water storage solutions for completion operations and the expectation of reduced long-term costs as a result of the Company's overall water management strategy;
- expected increases in well productivity and recoverable reserves and higher returns resulting from the adoption of new well designs and completion technologies for the wells in the Karr Program;
- the anticipated amendments to Paramount's Credit Facility following closing of the Apache Canada Acquisition and the Merger;
- the anticipated timing, duration and impact of scheduled outages at the Third-party Facility and at a third-party natural gas pipeline;
- the projected date when the expansion of the condensate stabilization capacity at the Third-party Facility will be completed, and the Company's belief that it has secured the services of a truck fleet of sufficient size (and all related logistical services necessary) to ensure uninterrupted egress for its Karr-Gold Creek area Liquids until this additional stabilization capacity becomes available; and
- general business strategies and objectives.

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

- the timely receipt of regulatory, shareholder and court approvals and satisfying closing conditions for the completion of the Apache Canada Acquisition and the Merger;
- the scope and effect of the expected benefits from the Apache Canada Acquisition and the Merger;
- future natural gas and Liquids prices;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates and interest rates;
- general business, economic and market conditions;

- the ability of Paramount to obtain the required capital to finance its exploration, development and other operations and meet its commitments and financial obligations;
- the ability of Paramount to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its activities;
- the ability of Paramount to secure adequate product processing, transportation, de-ethanization, fractionation, and storage capacity on acceptable terms;
- the ability of Paramount to market its natural gas and Liquids successfully to current and new customers;
- the ability of Paramount and its industry partners to obtain drilling success (including in respect of anticipated production volumes, reserves additions, Liquids yields and resource recoveries) and operational improvements, efficiencies and results consistent with expectations;
- the timely receipt of required governmental and regulatory approvals; and
- anticipated timelines and budgets being met in respect of drilling programs and other operations (including well completions and tie-ins and the construction, commissioning and start-up of new and expanded facilities).

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

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

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

Non-GAAP Measures

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

Funds flow from operations refers to cash from (used in) operating activities before net changes in operating non-cash working capital, geological and geophysical expenses, asset retirement obligation settlements and corporate acquisition and merger costs. 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. Refer to the Consolidated Results section of the Company's Management's Discussion and Analysis for the three and six months ended June 30, 2017 for the calculation of funds flow from operations. **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. Refer to the Principal Properties section of the Company's

Management's Discussion and Analysis for the three and six months ended June 30, 2017 for the calculation of netback. **Exploration and capital expenditures** consist of the Company's spending on wells and infrastructure projects, other property, plant and equipment, land and property acquisitions and geological and geophysical costs incurred. The closest GAAP measure to exploration and development expenditures is property, plant and equipment and exploration cash flows under investing activities in the Company's Consolidated Statement of Cash Flows, which includes all of the items included in exploration and capital expenditures, except for geological and geophysical costs, which are expensed as incurred. **Exploration and capital expenditures – Ongoing Operations** represents Exploration and Capital Expenditures less the amounts attributed to the Musreau/Kakwa area facilities and oil and gas properties sold in 2016. Principal Properties Capital includes capital expenditures and geological and geophysical costs related to the Company's Principal Properties business segment, and excludes land acquisitions. The **Principal Properties Capital** measure provides management and investors with information regarding the Company's Principal Properties spending on wells and infrastructure projects separate from land acquisition activity and capitalized interest. Refer to the Advisories section of the Company's Management's Discussion and Analysis for the three and six months ended June 30, 2017 for the calculation of Exploration and Capital Expenditures and Principal Properties Capital. **Investments in other entities – market value** reflects the Company's investments in enterprises whose securities trade on a public stock exchange at their period end closing price (e.g. Trilogy Energy Corp., MEG Energy Corp., Blackbird Energy Inc., Marquee Energy Ltd., RMP Energy Inc., Strategic Oil & Gas Ltd. and others) and investments in all other entities at book value. Paramount provides this information because the market values of equity-accounted investments, which are significant assets of the Company, are often materially different than their carrying values. Refer to the Strategic Investments section of the Company's Management's Discussion and Analysis for the three and six months ended June 30, 2017 for information on carrying and market values.

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

Oil and Gas Measures and Definitions

The term "Liquids" means oil, condensate and Other NGLs (ethane, propane and butane).

Abbreviations

Liquids		**Natural Gas**	
Bbl	Barrels	Mcf	Thousands of cubic feet
Bbl/d	Barrels per day	MMcf	Millions of cubic feet
MBbl	Thousands of barrels	MMcf/d	Millions of cubic feet per day
NGLs	Natural gas liquids	MMbtu	Millions of British thermal units
Condensate	Pentane and heavier hydrocarbons		

Oil Equivalent	
Boe	Barrels of oil equivalent
Boe/d	Barrels of oil equivalent per day

Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the six months ended June 30, 2017, the value ratio between crude oil and natural gas was approximately 23:1. 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.

Paramount resources ltd.

Management's Discussion and Analysis
For the three and six months ended June 30, 2017

This Management's Discussion and Analysis ("MD&A"), dated August 8, 2017, should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the three and six months ended June 30, 2017 and Paramount's audited Consolidated Financial Statements as at and for the year ended December 31, 2016. Financial data included in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and is stated in millions of Canadian dollars, unless otherwise noted. The Company's accounting policies have been applied consistently to all periods presented.

The disclosures in this document include forward-looking information, Non-GAAP measures and certain oil and gas measures. Readers are referred to the Advisories section of this document concerning such matters. Certain comparative figures have been reclassified to conform to the current years' presentation. Additional information concerning Paramount, including its Annual Information Form, can be found on the SEDAR website at www.sedar.com.

ABOUT PARAMOUNT

Paramount is an independent, publicly traded, Canadian energy company that explores and develops unconventional and conventional petroleum and natural gas prospects, including long-term unconventional exploration and pre-development projects, and holds a portfolio of investments in other entities. The Company's principal properties are primarily located in Alberta and British Columbia. Paramount's Class A common shares ("Common Shares") are listed on the Toronto Stock Exchange under the symbol "POU".

Paramount's operations are grouped 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 Corporate Operating Units ("COUs"):

- the Grande Prairie COU, which includes Karr-Gold Creek, Valhalla (until its sale in May 2017) and other properties in the Peace River Arch area of Alberta;
- the Kaybob COU, which includes Smoky/Resthaven and other properties in west central Alberta;
- the Northern COU, which includes Birch and other properties in northeast British Columbia and northern Alberta; and
- the Southern COU, which includes Willesden Green and other properties in southern Alberta.

Strategic Investments include: (i) investments in other entities; (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 Paramount's wholly-owned subsidiary Cavalier Energy ("Cavalier"), and prospective shale gas acreage in the Liard and Horn River Basins (the "Shale Gas Properties"); 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, share-based compensation expense and interest expense, which have not been specifically allocated to Principal Properties or Strategic Investments.

FINANCIAL AND OPERATING HIGHLIGHTS [1]

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
FINANCIAL				
Petroleum and natural gas sales	**61.3**	73.6	**116.0**	164.8
Net income (loss)	**45.3**	(30.6)	**66.1**	(76.5)
per share – basic ($/share)	***0.43***	*(0.29)*	***0.62***	*(0.72)*
per share – diluted ($/share)	***0.42***	*(0.29)*	***0.62***	*(0.72)*
Funds flow from operations	**35.2**	(4.9)	**63.2**	17.5
per share – basic ($/share)	***0.33***	*(0.05)*	***0.60***	*0.16*
per share – diluted ($/share)	***0.33***	*(0.05)*	***0.59***	*0.16*
Principal Properties Capital [2]	**112.0**	26.2	**258.7**	46.3
Investments in other entities – market value [3]			**140.4**	162.1
Total assets			**2,051.8**	2,158.1
Long-term debt			**–**	1,244.6
Net cash (debt)			**507.9**	(1,363.9)
OPERATIONAL				
Sales volumes				
Natural gas (MMcf/d)	**53.0**	129.8	**52.2**	141.9
Condensate and oil (Bbl/d)	**8,118**	9,490	**7,238**	11,368
Other NGLs (Bbl/d) [4]	**1,414**	9,764	**1,335**	10,512
Total (Boe/d)	**18,367**	40,890	**17,271**	45,526
Net wells drilled	**10**	1	**25**	2
FUNDS FLOW FROM OPERATIONS ($/Boe)				
Petroleum and natural gas sales	**36.69**	19.79	**37.12**	19.89
Royalties	**(0.46)**	0.21	**(0.90)**	(0.25)
Operating expense	**(10.29)**	(9.90)	**(10.25)**	(7.37)
Transportation and NGLs processing [5]	**(4.89)**	(5.34)	**(4.58)**	(4.77)
Netback	**21.05**	4.76	**21.39**	7.50
Commodity contract settlements	**2.24**	2.88	**1.48**	3.20
Netback including commodity contract settlements	**23.29**	7.64	**22.87**	10.70
General and administrative – corporate	**(2.19)**	(1.44)	**(2.65)**	(1.45)
General and administrative – strategic investments	**(0.92)**	(0.43)	**(1.09)**	(0.40)
Interest and financing expense	**(0.05)**	(7.07)	**(0.14)**	(6.73)
Interest Income	**0.91**	–	**1.16**	–
Other	**0.04**	(0.02)	**0.07**	–
Funds flow from operations	**21.08**	(1.32)	**20.22**	2.12

(1) Readers are referred to the advisories concerning Non-GAAP measures and Oil and Gas Measures and Definitions in the Advisories section of this document and to the reconciliations of such Non-GAAP measures to their most directly comparable measure under GAAP in the applicable sections of this document. This table contains the following Non-GAAP measures: Funds flow from operations, Principal Properties Capital, Investments in other entities – market value, Net cash (debt) and Netback.

(2) Principal Properties Capital includes capital expenditures and geological and geophysical costs related to the Company's Principal Properties and excludes land acquisitions.

(3) Based on the period-end closing prices of publicly-traded investments and the book value of remaining investments.

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

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

CONSOLIDATED RESULTS

Net Income (Loss)

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Principal Properties	**88.1**	64.7	**137.7**	30.0
Strategic Investments	**(11.7)**	(14.9)	**(25.0)**	(29.7)
Corporate	**(9.0)**	(47.7)	**(13.9)**	(47.0)
Income tax expense	**(22.1)**	(32.7)	**(32.7)**	(29.8)
Net income (loss)	**45.3**	(30.6)	**66.1**	(76.5)

In April 2016, the Company sold its natural gas processing facilities at Musreau/Kakwa in west central Alberta (the "Musreau Complex"). In August 2016, the Company sold the majority of its oil and gas properties at Musreau/Kakwa to Seven Generations Energy Ltd. (the "Musreau Assets"). When used herein, "Musreau Transactions" means the sale of the Musreau Complex and the sale of the Musreau Assets and "Ongoing Operations" represents Paramount's total results for the relevant period less amounts attributable to the Musreau Complex and the Musreau Assets.

Paramount recorded net income of $45.3 million for the three months ended June 30, 2017 compared to a net loss of $30.6 million in the same period in 2016. Significant factors contributing to the change are shown below:

Three months ended June 30	
Net loss – 2016	**(30.6)**
• Lower depletion and depreciation primarily due to the Musreau Transactions in 2016	39.5
• Lower interest and financing expense due to no debt outstanding in 2017	26.9
• Gain on commodity contracts in 2017 compared to a loss in 2016	18.1
• Higher Netback	17.4
• Lower share-based compensation expense primarily due to stock options cancelled in 2016	15.0
• Lower income tax expense in 2017	10.6
• Income from equity-accounted investment in 2017 compared to a loss in 2016	8.2
• Lower gain on sale of oil and gas assets in 2017	(51.0)
• Higher write-downs of investments in securities in 2017	(10.1)
• Corporate acquisition and merger costs in 2017	(4.7)
• Other	6.0
Net income – 2017	**45.3**

Paramount recorded net income of $66.1 million for the six months ended June 30, 2017 compared to a net loss of $76.5 million in the same period in 2016. Significant factors contributing to the change are shown below:

Six months ended June 30	
Net loss – 2016	**(76.5)**
• Lower depletion and depreciation primarily due to the Musreau Transactions in 2016 and a $42.1 million impairment reversal in 2017	129.4
• Lower interest and financing expense due to no debt outstanding in 2017	56.6
• Lower share-based compensation expense primarily due to stock options cancelled in 2016	17.3
• Higher gain on commodity contracts in 2017	16.7
• Income from equity-accounted investment in 2017 compared to a loss in 2016	13.6
• Higher Netback	4.7
• Interest income in 2017	3.6
• Lower general and administrative expense	3.6
• Lower gain on sale of oil and gas assets in 2017	(42.6)
• Foreign exchange loss in 2017; the 2016 gain mainly related to the US$450 million senior notes	(38.6)
• Decrease in market value of securities distributed to Paramount's shareholders by way of dividend in January 2017	(10.5)
• Corporate acquisition and merger costs in 2017	(4.7)
• Higher write-downs of investments in securities in 2017	(4.5)
• Other	(2.0)
Net income – 2017	**66.1**

Funds Flow from Operations [(1)]

The following is a reconciliation of funds flow from operations to the nearest GAAP measure:

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Cash from (used in) operating activities	**27.5**	(20.8)	**33.5**	42.4
Change in non-cash working capital	**2.0**	14.8	**18.0**	(27.7)
Corporate acquisition and merger costs	**4.7**	–	**4.7**	–
Geological and geophysical expenses	**1.2**	1.0	**2.2**	2.2
Asset retirement obligations settled	**(0.2)**	0.1	**4.8**	0.6
Funds flow from operations	**35.2**	(4.9)	**63.2**	17.5
Funds flow from operations (*$/Boe*)	**21.08**	*(1.32)*	**20.22**	*2.12*

(1) Refer to the advisories concerning non-GAAP measures in the Advisories section of this document.

Funds flow from operations for the three months ended June 30, 2017 was $35.2 million compared to negative $4.9 million for the same period in 2016. Significant factors contributing to the change are shown below:

Three months ended June 30	
Funds flow from operations – 2016	**(4.9)**
• Lower interest and financing expense due to no debt outstanding in 2017	26.2
• Higher Netback	17.4
• Lower general and administrative expense	1.8
• Interest income in 2017	1.5
• Lower receipts from commodity contract settlements	(7.0)
• Other	0.2
Funds flow from operations – 2017	**35.2**

Funds flow from operations for the six months ended June 30, 2017 was $63.2 million compared to $17.5 million in the same period in 2016. Significant factors contributing to the change are shown below:

Six months ended June 30	
Funds flow from operations – 2016	**17.5**
• Lower interest and financing expense due to no debt outstanding in 2017	55.3
• Higher Netback	4.7
• Interest income in 2017	3.6
• Lower general and administrative expense	3.6
• Lower receipts from commodity contract settlements	(21.9)
• Other	0.4
Funds flow from operations – 2017	**63.2**

PRINCIPAL PROPERTIES

Netback and Segment Income

	Three months ended June 30				Six months ended June 30			
	2017		2016		**2017**		2016	
		($/Boe)[(1)]		*($/Boe)*[(1)]		***($/Boe)***[(1)]		*($/Boe)*[(1)]
Natural gas revenue	**15.6**	***3.24***	17.6	*1.49*	**32.0**	***3.39***	47.0	*1.82*
Condensate and oil revenue	**42.8**	***57.95***	45.6	*52.83*	**78.1**	***59.61***	96.6	*46.68*
Other NGLs revenue [(2)]	**2.6**	***20.09***	9.9	*11.19*	**5.3**	***21.77***	20.5	*10.72*
Royalty and sulphur revenue	**0.3**	**–**	0.5	–	**0.6**	**–**	0.7	–
Petroleum and natural gas sales	**61.3**	***36.69***	73.6	*19.79*	**116.0**	***37.12***	164.8	*19.89*
Royalties	**(0.8)**	***(0.46)***	0.8	*0.21*	**(2.8)**	***(0.90)***	(2.1)	*(0.25)*
Operating expense	**(17.2)**	***(10.29)***	(36.8)	*(9.90)*	**(32.1)**	***(10.25)***	(61.1)	*(7.37)*
Transportation and NGLs processing [(3)]	**(8.2)**	***(4.89)***	(19.9)	*(5.34)*	**(14.3)**	***(4.58)***	(39.5)	*(4.77)*
Netback	**35.1**	***21.05***	17.7	*4.76*	**66.8**	***21.39***	62.1	*7.50*
Commodity contract settlements	**3.7**	***2.24***	10.7	*2.88*	**4.6**	***1.48***	26.5	*3.20*
Netback including commodity contract settlements	**38.8**	***23.29***	28.4	*7.64*	**71.4**	***22.87***	88.6	*10.70*
Other principal property items (see below)	**49.3**		36.3		**66.3**		(58.6)	
Segment income	**88.1**		64.7		**137.7**		30.0	

(1) Natural gas revenue shown per Mcf.
(2) Other NGLs means ethane, propane and butane.
(3) Includes downstream natural gas, NGLs and oil transportation costs and NGLs fractionation costs incurred by the Company.

Petroleum and natural gas sales were $61.3 million in the second quarter of 2017, a decrease of $12.3 million from the second quarter of 2016. Petroleum and natural gas sales were $116.0 million in the six months ended June 30, 2017, a decrease of $48.8 million compared to the same period of 2016. The decreases were primarily due to lower sales volumes, partially offset by higher commodity prices.

The impact of changes in sales volumes and prices on petroleum and natural gas sales are as follows:

	Natural gas	Condensate and oil	Other NGLs	Royalty and sulphur	Total
Three months ended June 30, 2016	17.6	45.6	9.9	0.5	73.6
Effect of changes in sales volumes	(10.5)	(6.6)	(8.4)	–	(25.5)
Effect of changes in prices	8.5	3.8	1.1	–	13.4
Change in royalty and sulphur revenue	–	–	–	(0.2)	(0.2)
Three months ended June 30, 2017	**15.6**	**42.8**	**2.6**	**0.3**	**61.3**

	Natural gas	Condensate and oil	Other NGLs	Royalty and Sulphur	Total
Six months ended June 30, 2016	47.0	96.6	20.5	0.7	164.8
Effect of changes in sales volumes	(29.9)	(35.4)	(17.9)	–	(83.2)
Effect of changes in prices	14.9	16.9	2.7	–	34.5
Change in royalty and sulphur revenue	–	–	–	(0.1)	(0.1)
Six months ended June 30, 2017	**32.0**	**78.1**	**5.3**	**0.6**	**116.0**

Sales Volumes

	Three months ended June 30											
	Natural gas (MMcf/d)			Condensate and oil (Bbl/d)			Other NGLs (Bbl/d)			Total (Boe/d)		
	2017	2016	% Change	**2017**	2016	% Change	**2017**	2016	% Change	**2017**	2016	% Change
Grande Prairie (1)	**36.8**	21.7	*70*	**7,407**	1,647	*350*	**502**	410	*22*	**14,035**	5,676	*147*
Kaybob (1)	**10.7**	14.2	*(25)*	**298**	333	*(11)*	**681**	388	*76*	**2,766**	3,087	*(10)*
Northern	**3.3**	8.0	*(59)*	**183**	206	*(11)*	**98**	151	*(35)*	**835**	1,682	*(50)*
Southern	**2.2**	2.4	*(8)*	**230**	285	*(19)*	**133**	93	*43*	**731**	791	*(8)*
Ongoing Operations	**53.0**	46.3	*14*	**8,118**	2,471	*229*	**1,414**	1,042	*36*	**18,367**	11,236	*63*
Musreau Assets	–	83.5	*(100)*	–	7,019	*(100)*	–	8,722	*(100)*	–	29,654	*(100)*
Total	53.0	129.8	*(59)*	8,118	9,490	*(14)*	1,414	9,764	*(86)*	18,367	40,890	*(55)*

(1) Excludes the results of the Musreau Assets.

Sales volumes from Ongoing Operations increased 63 percent to 18,367 Boe/d in the second quarter of 2017 compared to 11,236 Boe/d in 2016. The increase was primarily due to higher production at Karr-Gold Creek, partially offset by natural production declines and non-core property dispositions.

Paramount is currently executing a planned 27 (27.0 net) well horizontal Montney drilling and completion program at Karr-Gold Creek, which commenced in mid-2016 (the "Karr Program"). The Karr Program wells have been designed with longer horizontal laterals, higher intensity completions, tighter frack spacing and different completion fluids compared to prior years. The new well design is expected to significantly increase well productivity and recoverable reserves compared to the previous designs.

Sales volumes in the Grande Prairie COU increased 147 percent to 14,035 Boe/d in the second quarter of 2017 compared to 5,676 Boe/d in the second quarter of 2016. Condensate and oil sales volumes increased 350 percent to 7,407 Bbl/d compared to 1,647 Bbl/d in 2016. The increase in Grande Prairie COU sales volumes is primarily due to production from new Karr Program wells brought on production since late 2016.

In April 2017, Paramount completed the expansion of its wholly-owned compression and dehydration facility at Karr-Gold Creek (the "6-18 Facility"), doubling capacity of the facility to 80 MMcf/d. Company sales volumes were reduced to approximately 12,000 Boe/d in April 2017 as the majority of production at Karr-Gold Creek was shut-in for a two-week period to complete commissioning of the expanded facility. Commissioning was accelerated to coincide with an outage at a downstream third-party processing facility (the "Third-party Facility").

Following the 6-18 Facility expansion, Paramount brought-on additional new wells from the Karr Program, increasing total Company sales volumes to approximately 22,000 Boe/d in June and 27,000 Boe/d (53 percent Liquids) in July. During the last week of July, Paramount's sales volumes averaged approximately 30,000 Boe/d (53 percent Liquids), with record sales volumes being achieved at Karr-Gold Creek. Sales volumes in August 2017 will be impacted by scheduled outages at the Third-party Facility and a third-party natural gas pipeline that are expected to shut-in Karr-Gold Creek for most of the month.

	Six months ended June 30											
	Natural gas (MMcf/d)			Condensate and oil (Bbl/d)			Other NGLs (Bbl/d)			Total (Boe/d)		
	2017	2016	% Change	**2017**	2016	% Change	**2017**	2016	% Change	**2017**	2016	% Change
Grande Prairie (1)	**35.1**	25.3	*39*	**6,484**	1,863	*248*	**512**	367	*40*	**12,847**	6,456	*99*
Kaybob (1)	**11.3**	14.5	*(22)*	**325**	361	*(10)*	**621**	203	*206*	**2,832**	2,982	*(5)*
Northern	**3.6**	7.3	*(51)*	**136**	252	*(46)*	**87**	139	*(37)*	**826**	1,603	*(48)*
Southern	**2.2**	2.6	*(15)*	**293**	236	*24*	**115**	96	*20*	**766**	762	*1*
Ongoing Operations	**52.2**	49.7	*5*	**7,238**	2,712	*167*	**1,335**	805	*66*	**17,271**	11,803	*46*
Musreau Assets	–	92.2	*(100)*	–	8,656	*(100)*	–	9,707	*(100)*	–	33,723	*(100)*
Total	52.2	141.9	*(63)*	7,238	11,368	*(36)*	1,335	10,512	*(87)*	17,271	45,526	*(62)*

(1) Excludes the results of the Musreau Assets.

Sales volumes from Ongoing Operations increased by 46 percent to 17,271 Boe/d in the six months ended June 30, 2017 compared to 11,803 Boe/d in the same period in 2016. The increase was primarily due to higher production at Karr-Gold Creek, partially offset by natural production declines, the two-week shut-in the majority of Karr-Gold Creek volumes in April 2017 and non-core property dispositions.

Commodity Prices

	Three months ended June 30			Six months ended June 30		
	2017	2016	% Change	**2017**	2016	% Change
Natural Gas						
Paramount realized price ($/Mcf)	**3.24**	1.49	117	**3.39**	1.82	86
AECO daily spot ($/GJ)	**2.77**	1.33	108	**2.66**	1.54	73
AECO monthly index ($/GJ)	**2.68**	1.18	127	**2.74**	1.59	72
Malin (US$/MMbtu)	**2.78**	1.76	58	**2.97**	1.92	55
Crude Oil						
Paramount average realized condensate & oil price ($/Bbl)	**57.95**	52.83	10	**59.61**	46.68	28
Edmonton Light Sweet ($/Bbl)	**59.72**	55.01	9	**62.27**	48.11	29
West Texas Intermediate (US$/Bbl)	**48.27**	45.59	6	**50.09**	39.52	27
Foreign Exchange						
$CDN / 1 $US	**1.34**	1.29	4	**1.33**	1.33	–

Paramount's average realized natural gas price increased 86 percent in the first half of 2017 compared to the same period in 2016. Paramount's natural gas portfolio primarily consists of sales priced at the Alberta, California and Chicago markets and is sold in a combination of daily and monthly contracts. The Company has arrangements in place to sell approximately 20,000 MMbtu/d of natural gas in California at prices based on the $US Malin hub price. Following the Musreau Transactions, sales volumes sold in California constitute a greater proportion of the Company's total natural gas sales and the average heat content of Paramount's sales gas stream is higher.

Paramount sells its condensate volumes in both stabilized and unstabilized condition, depending upon the location of production and the availability of stabilization capacity. Stabilized condensate volumes delivered through pipelines typically receive prices for condensate quoted at Edmonton, which are generally higher than prices for unstabilized condensate volumes, and are adjusted for applicable transportation, quality and density differentials. Prices for unstabilized condensate volumes trucked to terminals are based on crude oil or condensate prices quoted at Edmonton, depending on the terminal to which volumes are delivered, and are adjusted for transportation, quality and density differentials. The Company's average realized condensate and oil price increased 28 percent in the first half of 2017 compared to the same period in 2016, consistent with increases in benchmark prices.

Commodity Price Management

From time-to-time Paramount uses financial commodity price contracts to manage exposure to commodity price volatility. At June 30, 2017, the Company had the following financial commodity contracts outstanding:

Instruments	Aggregate notional	Average fixed price	Fair Value	Remaining term
Gas – NYMEX Swaps (Sale)	60,000 MMBtu/d	US$3.42/MMBtu	**5.4**	July 2017 – December 2017
Gas – NYMEX Swaps (Sale)	10,000 MMBtu/d	US$3.37/MMBtu	**0.5**	July 2017 – October 2017
Gas – NYMEX Swaps (Purchase)	40,000 MMBtu/d	US$3.13/MMBtu	**(0.3)**	July 2017 – December 2017
Oil – NYMEX WTI Swaps (Sale)	2,000 Bbl/d	CDN$70.43/Bbl	**3.6**	July 2017 – December 2017
Oil – NYMEX WTI Swap (Sale)	1,000 Bbl/d	US$54.50/Bbl	**1.8**	July 2017 – December 2017
			11.0	

Royalties

	Three months ended June 30				Six months ended June 30			
	2017	**Rate**	2016	Rate	**2017**	**Rate**	2016	Rate
Royalties	**0.8**	**1.3%**	(0.8)	(1.0)%	**2.8**	**2.4%**	2.1	1.3%
$/Boe	***0.46***		*(0.21)*		***0.90***		*0.25*	

Second quarter royalties were $0.8 million in 2017 compared to a credit of $0.8 million in the same period in 2016. Royalties for the six months ended June 30, 2017 were $2.8 million compared to $2.1 million in the same period in 2016. Royalties for the six months ended June 30, 2017 were reduced by $1.1 million as a result of gas cost allowance adjustments related to prior years. Royalties for the six months ended June 30, 2016 were reduced by $1.4 million as a result of gas cost allowance adjustments related to prior years, which resulted in negative royalties in the second quarter of 2016.

Operating Expense

	Three months ended June 30			Six months ended June 30		
	2017	2016	% Change	**2017**	2016	% Change
Operating expense	**17.2**	36.8	(53)	**32.1**	61.1	(47)
$/Boe	**10.29**	*9.90*	*4*	**10.25**	*7.37*	39

Operating expense was $17.2 million in the second quarter of 2017, $19.6 million lower than the same period in 2016. Operating expense decreased by $29.0 million or 47 percent in the first half of 2017 to $32.1 million compared to $61.1 million in the same period in 2016. These decreases were primarily due to the Musreau Transactions, partially offset by higher water handling costs and processing fees associated with higher production at Karr-Gold Creek.

Operating costs per Boe were $10.25 for the six months ended June 30, 2017, $2.88 per Boe higher than in the first half of 2016, mainly due to the Musreau Transactions. For the six months ended June 30, 2016, operating costs per Boe for the Musreau Assets were approximately $5.64 per Boe and the Musreau Assets comprised approximately 74 percent of the Company's total production volumes.

Transportation and NGLs Processing

	Three months ended June 30			Six months ended June 30		
	2017	2016	% Change	**2017**	2016	% Change
Transportation and NGLs processing	**8.2**	19.9	(59)	**14.3**	39.5	(64)
$/Boe	**4.89**	*5.34*	*(8)*	**4.58**	*4.77*	*(4)*

Transportation and NGLs processing was $8.2 million in the second quarter of 2017, a decrease of $11.7 million compared to 2016. Transportation and NGLs processing decreased $25.2 million to $14.3 million in the first half of 2017 compared to $39.5 million in the same period of 2016.

Transportation and NGLs processing decreased primarily as a result of the sale of the Musreau Assets, partially offset by higher trucking costs at Karr-Gold Creek due to increased Liquids production. Paramount expects the majority of Liquids production at Karr-Gold Creek to be trucked until mid-2018, when the expansion of condensate stabilization capacity at the Third-party Facility is completed. The Company has contracted a dedicated fleet of trucks and 24-hour logistical services over this period to provide egress for Liquids production.

Other Principal Property Items

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Commodity contracts – net of settlements	**4.8**	(20.3)	**16.2**	(22.4)
Depletion and depreciation	**(34.2)**	(72.4)	**(73.8)**	(160.9)
Reversal of prior-years' write-downs	**–**	–	**42.1**	–
Exploration and evaluation	**(1.1)**	(1.6)	**(4.7)**	(3.9)
Gain on sale of oil and gas assets	**80.5**	131.8	**87.9**	131.0
Other	**(0.7)**	(1.2)	**(1.4)**	(2.4)
Total – other principal property items	**49.3**	36.3	**66.3**	(58.6)

Depletion and depreciation expense decreased to $34.2 million ($20.46 per Boe) in the second quarter of 2017 compared to $72.4 million ($19.44 per Boe) in 2016. Depletion and depreciation expense decreased to $73.8 million ($23.61 per Boe) in the six months ended June 30, 2017 compared to $160.9 million ($19.42 per Boe) in the same period in 2016. The decrease in depletion and depreciation expense was primarily due to the Musreau Transactions.

In May 2017, Paramount closed the sale of its oil and gas properties in the Valhalla area of Alberta (the "Valhalla Assets") for gross cash proceeds of $151.3 million, resulting in the recognition of a gain on sale of $82.2 million. A reversal of previously recorded impairment charges of $42.1 million was recorded for the three months ended March 31, 2017, representing the amount required to increase the carrying value of the Valhalla Assets to the amount that would have been determined, net of depletion and amortization, had no impairment charges been recognized in prior periods. The Valhalla Assets encompassed approximately 94 (74 net) sections of land and had average sales volumes of approximately 1,400 Boe/d in 2017 prior to being sold.

In April 2016, Paramount sold the Musreau Complex and recorded a gain of $125.9 million.

Ongoing Operations

The following tables provide a comparison of the Company's sales volumes and Netback for the three and six months ended June 30, 2017 versus the sales volumes and Netback attributable to Ongoing Operations (which exclude the results of the Musreau Assets and the Musreau Complex) for the comparable periods in 2016:

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
		Ongoing Operations		*Ongoing Operations*
Natural gas (MMcf/d)	**53.0**	46.3	**52.2**	49.7
Condensate and oil (Bbl/d)	**8,118**	2,471	**7,238**	2,712
Other NGLs [1] (Bbl/d)	**1,414**	1,042	**1,335**	805
Total (Boe/d)	**18,367**	11,236	**17,271**	11,803

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

	Three months ended June 30				Six months ended June 30			
	2017		2016		2017		2016	
			Ongoing Operations				*Ongoing Operations*	
		($/Boe) (1)		*($/Boe) (1)*		**($/Boe) (1)**		*($/Boe) (1)*
Natural gas revenue	**15.6**	***3.24***	6.6	*1.56*	**32.0**	***3.39***	17.2	*1.90*
Condensate and oil revenue	**42.8**	***57.95***	11.6	*51.77*	**78.1**	***59.61***	22.2	*44.90*
Other NGLs revenue (2)	**2.6**	***20.09***	0.4	*4.29*	**5.3**	***21.77***	0.9	*6.04*
Royalty and sulphur revenue	**0.3**	**–**	0.4	–	**0.6**	**–**	0.6	–
Petroleum and natural gas sales	**61.3**	***36.69***	19.0	*18.60*	**116.0**	***37.12***	40.9	*19.02*
Royalties	**(0.8)**	***(0.46)***	0.5	*0.47*	**(2.8)**	***(0.90)***	(0.6)	*(0.29)*
Operating expense	**(17.2)**	***(10.29)***	(12.3)	*(12.03)*	**(32.1)**	***(10.25)***	(26.5)	*(12.34)*
Transportation and NGLs processing (3)	**(8.2)**	***(4.89)***	(6.2)	*(6.10)*	**(14.3)**	***(4.58)***	(10.0)	*(4.64)*
Netback	**35.1**	***21.05***	1.0	*0.94*	**66.8**	***21.39***	3.8	*1.75*

(1) Natural gas revenue shown per Mcf.
(2) Other NGLs means ethane, propane and butane.
(3) Includes downstream natural gas, NGLs and oil transportation costs and NGLs fractionation costs incurred by the Company.

Petroleum and natural gas sales for the three and six months ended June 30, 2017 increased relative to the comparable periods in 2016 primarily as a result of production from new Liquids-rich Karr Program wells brought on production since late 2016 and higher commodity prices. The impact of changes in sales volumes and prices on petroleum and natural gas sales are as follows:

	Natural gas	Condensate and oil	Other NGLs	Royalty and sulphur	Total
Three months ended June 30, 2016	6.6	11.6	0.4	0.4	19.0
Effect of changes in sales volumes	0.9	26.6	0.2	–	27.7
Effect of changes in prices	8.1	4.6	2.0	–	14.7
Change in royalty and sulphur revenue	–	–	–	(0.1)	(0.1)
Three months ended June 30, 2017	**15.6**	**42.8**	**2.6**	**0.3**	**61.3**

	Natural gas	Condensate and oil	Other NGLs	Royalty and Sulphur	Total
Six months ended June 30, 2016	17.2	22.2	0.9	0.6	40.9
Effect of changes in sales volumes	0.7	36.7	0.6	–	38.0
Effect of changes in prices	14.1	19.2	3.8	–	37.1
Six months ended June 30, 2017	**32.0**	**78.1**	**5.3**	**0.6**	**116.0**

Operating expense for the three and six months ended June 30, 2017 were higher relative to the comparative periods in 2016 primarily due to higher water handling costs and processing fees associated with higher production at Karr-Gold Creek.

Transportation and NGLs processing for the three and six months ended June 30, 2017 were higher relative to the comparative periods in 2016 primarily due to higher trucking costs at Karr-Gold Creek due to increased Liquids production. Paramount expects the majority of Liquids production at Karr-Gold Creek to be trucked until mid-2018, when the expansion of condensate stabilization capacity at the Third-party Facility is completed. The Company has contracted a dedicated fleet of trucks and 24-hour logistical services over this period to provide egress for Liquids production.

Apache Canada Acquisition and the Merger

On July 6, 2017, Paramount, through its wholly-owned subsidiary 1636020 Alberta Ltd., entered into an agreement with certain subsidiaries of Apache Corporation to acquire all of the shares of Apache Canada Ltd. for $459.5 million, plus working capital and other monetary adjustments (the "Apache Canada Acquisition"). Paramount plans to fund the Apache Canada Acquisition with cash on hand and no debt will be assumed.

On July 6, 2017, Paramount also entered into an agreement to merge with Trilogy Energy Corp. ("Trilogy") by way of an arrangement under the *Business Corporations Act* (Alberta). Pursuant to the arrangement, Paramount will acquire all of the common shares and non-voting shares of Trilogy not already owned by Paramount in exchange for Class A common shares of Paramount on the basis of one Paramount share for every 3.75 Trilogy shares (the "Merger").

The Apache Canada Acquisition is not conditional on the completion of the Merger. Closing of the Apache Canada Acquisition is expected to occur in August 2017, subject to customary closing conditions. The Merger is conditional upon the completion of the Apache Canada Acquisition and the receipt of court, shareholder and regulatory approvals and other customary closing conditions and is targeted for completion in September 2017.

Additional information concerning the Apache Canada Acquisition and the Merger can be found in Paramount's Press Release dated July 6, 2017 and Material Change Report dated July 14, 2017, both of which are available on SEDAR at www.sedar.com.

Outlook

Following completion of the Apache Canada Acquisition and the Merger, Paramount's fourth quarter 2017 sales volumes are expected to exceed 90,000 Boe/d, including approximately 35 percent Liquids.

Paramount's 2017 capital budget was increased in May 2017 to $385 million to include additional capital for the Karr Program related to changes in completion techniques and design modifications which are expected to further enhance well performance and returns. In addition, the updated budget included additional capital for cost inflation for materials and field services, an additional Montney well and higher than expected drilling costs at Smoky/Resthaven and an additional Montney well at Birch. The Company also expects to continue with the remaining portions of the Apache Canada and Trilogy 2017 capital programs subsequent to closing these transactions.

STRATEGIC INVESTMENTS

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
General and administrative	**(1.5)**	(1.6)	**(3.4)**	(3.3)
Share-based compensation	**(1.0)**	(3.5)	**(1.9)**	(4.8)
Depletion and depreciation	**(1.6)**	(2.9)	**(2.7)**	(3.0)
Exploration and evaluation expense	**(0.5)**	(0.2)	**(0.6)**	(0.3)
Interest and financing	**–**	(1.0)	**–**	(2.0)
Income (loss) from equity-accounted investments	**3.8**	(4.4)	**4.9**	(8.7)
Write-down of investments in securities	**(11.0)**	(0.9)	**(11.0)**	(6.5)
Decrease in market value of securities distributed	**–**	–	**(10.5)**	–
Drilling rig revenue	**0.3**	–	**0.4**	–
Drilling rig expense	**(0.5)**	(0.2)	**(0.4)**	(0.8)
Other	**0.3**	(0.2)	**0.2**	(0.3)
Segment loss	**(11.7)**	(14.9)	**(25.0)**	(29.7)

Strategic Investments at June 30, 2017 include:

- investments in the shares of Trilogy, MEG Energy Corp. ("MEG"), Blackbird Energy Inc. ("Blackbird"), Marquee Energy Ltd. ("Marquee"), RMP Energy Inc. ("RMP Energy"), Strategic Oil & Gas Ltd. ("SOG") and other public and private corporations;
- oil sands and carbonate bitumen interests owned by Cavalier, including at Hoole, in the western portion of the Athabasca Oil Sands region, and carbonate bitumen holdings in northeast Alberta;
- seven triple-sized drilling rigs, including four built-for-purpose walking rigs, owned and operated by Fox Drilling; and
- Shale Gas Properties in the Liard and Horn River Basins in northeast British Columbia and the Northwest Territories.

In December 2016, the Company's Board of Directors declared a dividend of the Company's remaining 3.8 million class A common shares of Seven Generations Energy Ltd. ("7Gen Shares") to holders of record of Paramount's Common Shares on January 9, 2017. The decrease in the fair value of the 7Gen Shares of $10.5 million between the acquisition date and the date of the dividend, January 16, 2017, was reclassified to earnings from accumulated other comprehensive income in respect of the distribution of the 7Gen Shares.

Investments

Paramount holds investments in a number of publicly-traded and private corporations as part of its portfolio of Strategic Investments. The Company's investments in the shares of Trilogy were principally obtained in the course of its spin-out from Paramount. Investments in the shares of most other entities, including MEG, were received as consideration for properties sold to the entities. Paramount's investments are summarized as follows:

	Carrying Value		Market Value (1)	
As at	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Trilogy	49.0	49.6	93.2	104.7
MEG	14.1	25.0	14.1	25.0
Other (2)	33.1	32.4	33.1	32.4
Total	96.2	107.0	140.4	162.1

(1) Based on the period-end closing price of publicly traded investments and the book value of remaining investments.
(2) Includes investments in Marquee, RMP, SOG and other public and private corporations.

The aggregate write-downs of investments in securities of $11.0 million for the six months ended June 30, 2017 and $6.5 million for the six months ended June 30, 2016 resulted from decreases in the market value of certain of the Company's publicly traded investments.

Fox Drilling

All seven Fox Drilling rigs were deployed on the Company's lands in the first half of 2017, drilling wells at Karr-Gold Creek and Smoky/Resthaven.

CORPORATE

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Interest and financing expense	(0.1)	(25.9)	(0.4)	(55.0)
General and administrative	(3.7)	(5.4)	(8.3)	(12.1)
Share-based compensation	(1.7)	(14.3)	(3.5)	(17.9)
Foreign exchange	(0.3)	(1.9)	(0.2)	38.4
Interest income	1.5	–	3.6	–
Corporate acquisition and merger costs	(4.7)	–	(4.7)	–
Other	–	(0.2)	(0.4)	(0.4)
Segment loss	(9.0)	(47.7)	(13.9)	(47.0)

The Corporate segment loss was $9.0 million in the second quarter of 2017 compared to $47.7 million in the same period in 2016. The Corporate segment loss decreased to $13.9 million for the six months ended June 30, 2017 compared to $47.0 million in the same period in 2016. Interest and financing expense was $0.4 million in the first half of 2017, a decrease of $54.6 million from the first half of 2016, as the Company repaid all outstanding debt in 2016. Share-based compensation expense in 2016 included $13.8 million related to options cancelled in the second quarter of 2016. Interest income of $3.6 million was earned in the first half of 2017 on cash and cash equivalents balances. General and administrative expenses were $3.8 million lower in the first half of 2017 compared to the same period in 2016, primarily as a result of higher capital allocations due to higher capital spending and lower salary expense.

The foreign exchange gain for the six months ended June 30, 2016 mainly related to the US$450 million aggregate principal amount of senior unsecured notes due 2023 which were outstanding in the first half of

2016. Corporate acquisition and merger costs in the second quarter of 2017 related to estimated costs incurred in respect of the Apache Canada Acquisition and the Merger to June 30, 2017.

EXPLORATION AND CAPITAL EXPENDITURES

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Geological and geophysical	**0.8**	0.8	**1.7**	1.8
Drilling, completion and tie-ins	**102.2**	23.0	**230.7**	34.7
Facilities and gathering	**9.0**	2.4	**26.3**	9.8
Principal Properties Capital (1)	**112.0**	26.2	**258.7**	46.3
Land and property acquisitions	**1.8**	10.7	**3.1**	10.8
Principal Properties including land & property acquisitions	**113.8**	36.9	**261.8**	57.1
Strategic Investments	**0.7**	4.2	**1.6**	19.8
Corporate	**0.2**	0.4	**0.4**	0.6
	114.7	41.5	**263.8**	77.5
Principal Properties Capital by COU (1)				
Grande Prairie	**100.2**	3.0	**201.7**	8.0
Kaybob	**9.6**	21.7	**40.7**	35.2
Southern, Northern and other	**2.2**	1.5	**16.3**	3.1
	112.0	26.2	**258.7**	46.3

(1) Principal Properties Capital includes capital expenditures and geological and geophysical costs related to the Company's Principal Properties, excluding land and property acquisitions.

Principal Properties Capital was $112.0 million in the second quarter of 2017 compared to $26.2 million in the same period in 2016. Principal Properties Capital was $258.7 million in the first half of 2017 compared to $46.3 million in the same period in 2016. Expenditures in the first half of 2017 were mainly related to drilling and completion programs at Karr-Gold Creek, Smoky/Resthaven and Birch and the 6-18 Facility expansion at Karr-Gold Creek.

Development activities in 2017 have been mainly focused on the 27 well Karr Program that commenced in mid-2016 and the expansion of the 6-18 Facility to double its capacity to 80 MMcf/d. All 27 wells from the Karr Program have been drilled, a total of 21 Karr Program wells have been completed and 17 have been brought on production to date. The remaining six wells in the Karr Program are expected to be completed later in 2017 and early 2018.

In April 2017, Paramount completed the expansion of its wholly-owned 6-18 Facility, doubling capacity of the facility to 80 MMcf/d. The total cost of the expansion was approximately $40 million.

Paramount has drilled five (4.5 net) of six planned wells in its Cretaceous exploration and delineation program at Smoky/Resthaven to the end of July. Because of the exploratory nature of this program, drilling operations took longer than planned, resulting in approximately $10 million of additional drilling costs. Three of the wells have been completed to the end of July and completion operations for the remaining two wells are in-progress. These wells are expected to be brought on production later in the year. Drilling of the sixth well is planned for the fourth quarter of 2017 at a winter access location.

The Company has drilled one (1.0 net) new Montney well in the northern portion of its lands at Smoky/Resthaven and completion operations are scheduled for later in the third quarter of 2017. The well design for this new location is expected to be similar to the Karr Program, with a planned horizontal lateral length of approximately 3,000 meters, slickwater completion fluids, approximately 70 fracture stages and proppant loading of approximately 2.4 tonnes per meter.

A total of seven (3.5 net) Montney wells have been drilled to the end of July in the planned ten (5.0 net) well drilling program at the non-operated Birch property. The remaining three (1.5 net) wells are scheduled to be drilled in the third quarter. Two of the wells have been completed and brought onto production to the end of July. All of the wells drilled in the 2017 Birch drilling program are expected to be completed by the end of the year, except for one well which was drilled for land retention. The expansion of the Birch compression and dehydration facility to 40 MMcf/d (20 MMcf/d net) is progressing on schedule to be completed in the third quarter of 2017.

Wells drilled were as follows:

	Three months ended June 30				Six months ended June 30			
	2017		2016		**2017**		2016	
	Gross (1)	**Net (2)**	Gross (1)	Net (2)	**Gross (1)**	**Net (2)**	Gross (1)	Net (2)
Natural gas	**11**	**10**	1	1	**28**	**25**	2	2
Total	**11**	**10**	1	1	**28**	**25**	2	2

(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.

LIQUIDITY AND CAPITAL RESOURCES

Paramount manages its capital structure to support current and future business plans and periodically adjusts the structure in response to changes in economic conditions and the risk characteristics of the Company's assets and operations. Paramount may adjust its capital structure by issuing or repurchasing shares, altering debt levels, modifying capital spending programs, acquiring or disposing of assets, and participating in joint ventures, the availability of any such means being dependent upon market conditions.

Net Cash (Debt) (1)

As at	June 30, 2017	December 31, 2016	June 30, 2016
Cash and cash equivalents	**565.6**	621.9	11.6
Accounts receivable	**50.4**	23.9	36.7
Prepaid expenses and other	**1.9**	1.7	5.2
Accounts payable and accrued liabilities	**(110.0)**	(81.6)	(99.8)
Adjusted working capital surplus (deficit) (2)	**507.9**	565.9	(46.3)
Finance lease obligations – Fox Drilling	**–**	–	(5.6)
Limited-recourse demand facilities	**–**	–	(58.7)
Credit facility	**–**	–	(217.9)
Senior notes (3)	**–**	–	(1,035.4)
Net cash (debt)	**507.9**	565.9	(1,363.9)

(1) Refer to the advisories concerning non-GAAP measures in the Advisories section of this document.
(2) Adjusted working capital excludes risk management assets and liabilities, limited-recourse demand facilities, investments in securities for distribution and related dividend payable (December 31, 2016 - $119.0 million) and accounts payable and accrued liabilities relating to the Company's obligations to renounce qualifying expenditures for flow-through share issuances (June 30, 2016 - $0.5 million).
(3) Excludes unamortized issue premiums and financing costs

The change in net cash (debt) from December 31, 2016 to June 30, 2017 is primarily due to capital spending, partially offset by proceeds from sales of oil and gas assets and funds flow from operations.

Shareholders' Equity

As at	June 30, 2017	December 31, 2016
Share capital	1,644.4	1,639.5
Accumulated deficit	(67.0)	(152.2)
Reserves	130.8	147.5
Total shareholders' equity	1,708.2	1,634.8

Bank Credit Facility

In July 2017, the Company's revolving credit facility (the "Facility") was increased from $100 million to $300 million following completion of the lender's annual review. The revolving period of the Facility ends on April 30, 2018. In the event the revolving period is not extended, any undrawn availability would be cancelled and all amounts then outstanding would be permitted to remain outstanding on a non-revolving basis until April 30, 2019, the maturity date of the Facility.

The borrowing base governs the maximum amount which can be drawn on the Facility. The Lender has the right to review and re-determine Paramount's borrowing base on a semi-annual basis and more frequently in certain other circumstances. The borrowing base amount is based on the Company's reserves, the Lender's projections of future commodity prices and the value attributed by the Lender to Paramount's other assets, among other factors.

Borrowings on the Facility bear interest at the Lender's prime lending rate, US base rates, bankers' acceptance rates, or LIBOR rates, as selected at the discretion of the Company, plus an applicable margin which is dependent upon the Company's debt-to-cash flow ratio and the total amount drawn. The Facility is secured by a fixed and floating charge over substantially all of the assets of Paramount, excluding the assets of Cavalier.

At June 30, 2017, no amounts were drawn on the Facility. Paramount had undrawn letters of credit outstanding totaling $20.6 million at June 30, 2017 that reduce the amount available to be drawn on the Facility.

It is anticipated that further amendments will be made to the Facility following closing of the Apache Canada Acquisition and the Merger.

Share Capital

Paramount implemented a normal course issuer bid ("NCIB") on October 13, 2016. The NCIB will terminate on the earlier of: (i) October 12, 2017; and (ii) the date on which the maximum number of Common Shares that can be acquired pursuant to the NCIB are purchased. Paramount may purchase up to 5,441,602 Common Shares under the NCIB. Any Common Shares purchased pursuant to the NCIB will be cancelled by the Company. Any shareholder may obtain, for no charge, a copy of the notice in respect of the NCIB filed with the TSX by contacting the Company at 403-290-3600. To August 8, 2017, the Company has purchased and cancelled 622,900 Common Shares pursuant to the NCIB at a total cost of $9.7 million.

At July 31, 2017, Paramount had 106,234,615 Common Shares and 3,826,320 Paramount Options outstanding, of which 364,060 Paramount Options are exercisable.

QUARTERLY INFORMATION

	2017		2016				2015	
	Q2	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3
Petroleum and natural gas sales	**61.3**	**54.7**	32.3	51.7	73.6	91.2	91.3	110.7
Net income (loss)	**45.3**	**20.7**	212.4	1,029.4	(30.6)	(46.0)	(599.0)	(171.8)
Per share – basic ($/share)	***0.43***	***0.20***	*2.01*	*9.69*	*(0.29)*	*(0.43)*	*(5.64)*	*(1.62)*
Per share – diluted ($/share)	***0.42***	***0.19***	*1.99*	*9.64*	*(0.29)*	*(0.43)*	*(5.64)*	*(1.62)*
Funds flow from operations	**35.2**	**28.0**	14.3	3.8	(4.9)	22.4	21.0	36.9
Per share – basic ($/share)	***0.33***	***0.26***	*0.14*	*0.04*	*(0.05)*	*0.21*	*0.20*	*0.35*
Per share – diluted ($/share)	***0.33***	***0.26***	*0.13*	*0.04*	*(0.05)*	*0.21*	*0.20*	*0.35*
Sales volumes								
Natural gas (MMcf/d)	**53.0**	**51.4**	47.5	88.6	129.8	153.9	157.8	181.8
Condensate and oil (Bbl/d)	**8,118**	**6,348**	2,943	5,335	9,490	13,245	9,991	10,214
Other NGLs (Bbl/d)	**1,414**	**1,255**	1,046	4,687	9,764	11,259	9,175	9,483
Total (Boe/d)	**18,367**	**16,163**	11,901	24,786	40,890	50,161	45,466	49,990
Average realized price								
Natural gas ($/Mcf)	**3.24**	**3.55**	3.10	2.65	1.49	2.09	2.57	3.01
Condensate and oil ($/Bbl)	**57.95**	**61.75**	60.49	51.15	52.83	42.28	46.60	52.43
Other NGLs ($/Bbl)	**20.09**	**23.69**	22.16	11.11	11.19	10.31	12.59	11.42
Total ($/Boe)	**36.69**	**37.61**	29.52	22.66	19.79	19.98	21.82	24.07

Significant Items Impacting Quarterly Results

Quarterly earnings variances include the impacts of changing production volumes and market prices.

- Second quarter 2017 earnings include an $80.9 million gain on the sale of oil and gas assets primarily related to the sale of the Valhalla Assets.
- First quarter 2017 earnings include a $42.1 million reversal of impairments of oil and gas assets recorded in prior years related to the Valhalla Assets and a $10.5 million loss on the distribution of 3.8 million 7Gen Shares to Paramount shareholders by way of dividend.
- Fourth quarter 2016 earnings include a $133.2 million reversal of impairments of oil and gas assets recorded in prior years, a $99.2 million gain recorded in respect of the royalty granted by Cavalier and the recognition of $61.0 million of previously unrecognized deferred tax assets.
- Third quarter 2016 earnings include the impact of the sale of the Musreau Assets, including a $1.2 billion gain on sale, lower depletion and depreciation expense, higher income tax expense and lower Netback.
- Second quarter 2016 earnings include a $131.8 million gain on the sale of oil and gas assets primarily in respect of the sale of the Musreau Complex, partially offset by $17.7 million of share-based compensation expense.
- First quarter 2016 earnings include a foreign exchange gain of $40.3 million and a $13.7 million gain on commodity contracts.
- Fourth quarter 2015 earnings include $241.5 million of aggregate impairment write-downs of property, plant and equipment, $184.1 million of impairment write-offs of exploration and evaluation assets and deferred tax expense of $66.3 million.

- Third quarter 2015 earnings include $100.7 million of depletion and depreciation, a $22.2 million impairment write-down of oil and gas properties, a $73.0 million write-down of investments in securities and a foreign exchange loss of $41.5 million, partially offset by $38.1 million of gains on commodity contracts.

OTHER INFORMATION

Contingencies

In the normal course of Paramount's operations, the Company may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and as a result, could have a material adverse effect on the Company. Even if Paramount prevails in any such legal proceedings, they could be costly and time-consuming and divert the attention of management and key personnel from the Company's core business operations.

In 2016, a release occurred from a non-operated pipeline in which the Company owns a 50 percent interest. The operator, and owner of the remaining 50 percent, has initiated response, containment and remediation activities ("Response Activities"). Total costs to complete the Response Activities are estimated at approximately $60 million. It is Paramount's assessment that it is not responsible for the costs of the Response Activities and as a result, no provision has been recorded in the Company's financial statements.

CHANGE IN ACCOUNTING POLICIES

There were no new or amended accounting standards adopted by the Company for the six months ended June 30, 2017. A description of accounting standards that will be effective in the future is included in the notes to the Company's audited Consolidated Financial Statements as at and for the year ended December 31, 2016.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the three and six months ended June 30, 2017, there was no change in the Company's internal control over financial reporting that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

ADVISORIES

Forward-looking Information

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

- the anticipated closing of the Apache Canada Acquisition and the Merger, including satisfaction of closing conditions, receipt of regulatory, shareholder and court approvals and the timing thereof;
- projected production and sales volumes;
- forecast capital expenditures;
- exploration, development, and associated operational plans and strategies (including planned drilling and completion programs, well tie-ins, and facility expansions, and the anticipated timing thereof);
- expected increases in well productivity and recoverable reserves resulting from the adoption of new well designs and completion technologies for the wells in the Karr Program;
- the anticipated amendments to Paramount's Credit Facility following closing of the Apache Canada Acquisition and the Merger;
- the anticipated timing, duration and impact of scheduled outages at the Third-party Facility and at a third-party natural gas pipeline;
- the projected date when the expansion of the condensate stabilization capacity at the Third-party Facility will be completed; and
- general business strategies and objectives.

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

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

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

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

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

Non-GAAP Measures

In this document "Funds flow from operations", "Netback", "Net Cash (Debt)", "Adjusted working capital", "Exploration and Capital Expenditures", "Principal Properties Capital" and "Investments in other entities – market value", collectively the "Non-GAAP Measures", are used and do not have any standardized meanings as prescribed by IFRS.

Funds flow from operations refers to cash from (used in) operating activities before net changes in operating non-cash working capital, geological and geophysical expenses, asset retirement obligation settlements and corporate acquisition and merger costs. 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. Refer to the Consolidated Results section of the Company's Management's Discussion and Analysis for the calculation thereof. **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. Refer to the Principal Properties section of the Company's Management's Discussion and Analysis for the calculation thereof. **Net Cash (Debt)** is a measure of the Company's overall debt position after adjusting for certain working capital and other amounts and is used by management to assess the Company's overall leverage position. Refer to the Liquidity and Capital Resources section of the Company's Management's Discussion and Analysis for the calculation of Net Cash (Debt) and **Adjusted working capital**. **Exploration and capital expenditures** consist of the Company's spending on wells and infrastructure projects, other property, plant and equipment, land and property acquisitions and geological and geophysical costs incurred. The closest GAAP measure to exploration and development expenditures is property, plant and equipment and exploration cash flows under investing activities in the Company's Consolidated Statement of Cash Flows, which includes all of the items included in exploration and capital expenditures, except for geological and geophysical costs, which are expensed as incurred. **Principal Properties Capital** includes capital expenditures and geological and geophysical costs related to the Company's Principal Properties business segment, and excludes land acquisitions. The Principal Properties Capital measure provides management and investors with information regarding the Company's Principal Properties spending on wells and infrastructure projects separate from land acquisition activity and capitalized interest. The following is the calculation of exploration and capital expenditures and Principal Properties for the periods:

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Property, plant and equipment and exploration (consolidated statement of cash flows)	113.4	40.4	261.6	75.3
Geological and geophysical	1.3	1.1	2.2	2.2
Exploration and Capital Expenditures	114.7	41.5	263.8	77.5
Land and property acquisitions	(1.8)	(10.7)	(3.1)	(10.8)
Strategic Investments	(0.7)	(4.2)	(1.6)	(19.8)
Corporate	(0.2)	(0.4)	(0.4)	(0.6)
Principal Properties Capital	112.0	26.2	258.7	46.3

Investments in other entities – market value reflects the Company's investments in enterprises whose securities trade on a public stock exchange at their period end closing price (e.g. Trilogy, MEG, Blackbird, Marquee, RMP, SOG and others), and investments in all other entities at book value. Paramount provides this information because the market values of equity-accounted investments, which are significant assets of the Company, are often materially different than their carrying values. Refer to the Strategic Investments section of the Company's Management's Discussion and Analysis and Interim Condensed Consolidated

Financial Statements for the three and six months ended June 30, 2017 and June 30, 2016 for information on carrying and market values.

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

Oil and Gas Measures and Definitions

The term "Liquids" means oil, condensate and Other NGLs (ethane, propane and butane).

Abbreviations

Liquids	
Bbl	Barrels
Bbl/d	Barrels per day
NGLs	Natural gas liquids
Condensate	Pentane and heavier hydrocarbons

Natural Gas	
Mcf	Thousands of cubic feet
MMcf/d	Millions of cubic feet per day
GJ	Gigajoule
MMbtu	Millions of British thermal units

Oil Equivalent	
Boe	Barrels of oil equivalent
Boe/d	Barrels of oil equivalent per day

Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the six months ended June 30, 2017, the value ratio between crude oil and natural gas was approximately 23:1. 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.

Interim Condensed Consolidated Financial Statements (Unaudited)
June 30, 2017

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
($ thousands)

As at	Note	June 30 2017 (Unaudited)	December 31 2016
ASSETS			
Current assets			
Cash and cash equivalents	14	565,621	621,872
Investments in securities for distribution	9	–	118,978
Accounts receivable		50,407	23,895
Prepaid expenses and other		1,936	1,715
Risk management	13	11,048	–
		629,012	766,460
Exploration and evaluation	3	275,672	301,530
Property, plant and equipment, net	4	1,050,990	882,724
Equity-accounted investment	5	48,988	44,053
Investments in securities	6	47,167	64,193
		2,051,829	2,058,960
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Dividend payable		–	118,978
Accounts payable and accrued liabilities		110,003	81,585
Risk management	13	–	5,180
		110,003	205,743
Asset retirement obligations	8	196,218	212,309
Deferred income tax		37,415	6,125
		343,636	424,177
Contingencies	15		
Shareholders' equity			
Share capital	9	1,644,375	1,639,466
Accumulated deficit		(66,967)	(152,182)
Reserves	10	130,785	147,499
		1,708,193	1,634,783
		2,051,829	2,058,960

See the accompanying notes to these Interim Condensed Consolidated Financial Statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

($ thousands, except as noted)

	Note	Three months ended June 30 2017	Three months ended June 30 2016	Six months ended June 30 2017	Six months ended June 30 2016
Petroleum and natural gas sales		**61,328**	73,634	**116,031**	164,823
Royalties		**(776)**	764	**(2,805)**	(2,076)
Revenue		**60,552**	74,398	**113,226**	162,747
Gain (loss) on commodity contracts	13	**8,550**	(9,597)	**20,863**	4,130
		69,102	64,801	**134,089**	166,877
Expenses					
Operating expense		**17,197**	36,850	**32,057**	61,095
Transportation and NGLs processing		**8,177**	19,863	**14,312**	39,495
General and administrative		**5,202**	6,956	**11,694**	15,341
Share-based compensation	11	**2,712**	17,737	**5,431**	22,743
Depletion and depreciation	4	**36,056**	75,507	**34,870**	164,292
Exploration and evaluation	3	**1,557**	1,779	**5,296**	4,224
Gain on sale of oil and gas assets		**(80,855)**	(131,806)	**(88,346)**	(130,995)
Interest and financing		**88**	26,967	**440**	57,054
Accretion of asset retirement obligations	8	**962**	1,256	**1,949**	2,612
Foreign exchange		**284**	1,888	**190**	(38,399)
Corporate acquisition and merger costs	16	**4,737**	–	**4,737**	–
		(3,883)	56,997	**22,630**	197,462
Income (loss) from equity-accounted investment	5	**3,766**	(4,441)	**4,935**	(8,749)
Decrease in market value of securities distributed	2	**–**	–	**(10,450)**	–
Write-down of investments in securities	6	**(11,030)**	(891)	**(11,030)**	(6,493)
Other	2	**1,623**	(352)	**3,895**	(887)
Income (loss) before tax		**67,344**	2,120	**98,809**	(46,714)
Income tax expense	12				
Deferred		**22,011**	32,680	**32,740**	29,813
		22,011	32,680	**32,740**	29,813
Net income (loss)		**45,333**	(30,560)	**66,069**	(76,527)
Other comprehensive income (loss), net of tax					
Items that may be reclassified to net income (loss):					
Change in market value of securities		**(11,332)**	1,093	**(42,253)**	(3,308)
Reclassification of accumulated losses on securities to net income (loss)		**11,030**	891	**21,480**	6,493
Deferred tax on other comprehensive income (loss) related to securities		**(329)**	–	**948**	–
Comprehensive income (loss)		**44,702**	(28,576)	**46,244**	(73,342)
Net income (loss) per common share ($/share)	9				
Basic		**0.43**	(0.29)	**0.62**	(0.72)
Diluted		**0.42**	(0.29)	**0.62**	(0.72)

See the accompanying notes to these Interim Condensed Consolidated Financial Statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

($ thousands)

	Note	Three months ended June 30		Six months ended June 30	
		2017	2016	**2017**	2016
Operating activities					
Net income (loss)		**45,333**	(30,560)	**66,069**	(76,527)
Add (deduct):					
Items not involving cash	14	**(16,096)**	24,646	**(9,841)**	91,868
Asset retirement obligations settled	8	**220**	(143)	**(4,766)**	(616)
Change in non-cash working capital		**(2,005)**	(14,797)	**(17,987)**	27,686
Cash from (used in) operating activities		**27,452**	(20,854)	**33,475**	42,411
Financing activities					
Net repayment of limited-recourse demand facilities		**–**	(41,972)	**–**	(42,201)
Net repayment of revolving long-term debt		**–**	(459,169)	**–**	(471,016)
Common shares issued, net of issue costs		**487**	81	**3,408**	81
Cash from (used in) financing activities		**487**	(501,060)	**3,408**	(513,136)
Investing activities					
Property, plant and equipment and exploration		**(113,394)**	(40,436)	**(261,592)**	(75,314)
Proceeds on sale of oil and gas assets		**149,877**	564,078	**150,473**	564,917
Change in non-cash working capital		**(26,875)**	(8,393)	**18,684**	(18,792)
Cash from (used in) investing activities		**9,608**	515,249	**(92,435)**	470,811
Net increase (decrease)		**37,547**	(6,665)	**(55,552)**	86
Foreign exchange on cash and cash equivalents		**(680)**	(15)	**(699)**	(407)
Cash and cash equivalents, beginning of period		**528,754**	18,300	**621,872**	11,941
Cash and cash equivalents, end of period		**565,621**	11,620	**565,621**	11,620

Supplemental cash flow information 14

See the accompanying notes to these Interim Condensed Consolidated Financial Statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Unaudited)

($ thousands, except as noted)

Six months ended June 30	Note	2017		2016	
		Shares (000's)		*Shares (000's)*	
Share Capital					
Balance, beginning of period		*105,784*	1,639,466	*106,212*	1,646,984
Issued	11	*413*	4,900	*10*	113
Change in vested and unvested common shares for stock incentive plan	11	*3*	9	*19*	110
Balance, end of period		*106,200*	1,644,375	*106,241*	1,647,207
Accumulated Deficit					
Balance, beginning of period			(152,182)		(1,197,627)
Net income (loss)			66,069		(76,527)
Decrease in value of securities prior to distribution	2		19,146		–
Balance, end of period			(66,967)		(1,274,154)
Reserves	10				
Balance, beginning of period			147,499		99,337
Other comprehensive income (loss)			(19,825)		3,185
Contributed surplus			3,111		22,600
Balance, end of period			130,785		125,122
Total Shareholders' Equity			1,708,193		498,175

See the accompanying notes to these Interim Condensed Consolidated Financial Statements.

1. Basis of Presentation

Paramount Resources Ltd. ("Paramount" or the "Company") is an independent, publicly traded, Canadian energy company that explores and develops unconventional and conventional petroleum and natural gas prospects, including long-term unconventional exploration and pre-development projects, and holds a portfolio of investments in other entities. The Company's principal properties are primarily located in Alberta and British Columbia. Paramount's operations are divided into three business segments: i) Principal Properties; ii) Strategic Investments; and iii) Corporate.

Paramount is the ultimate parent company of a consolidated group of companies and is incorporated and domiciled in Canada. The address of its registered office is 4700, 888 3rd Street S.W., Calgary, Alberta, Canada, T2P 5C5. The consolidated group includes wholly-owned subsidiaries Fox Drilling Limited Partnership ("Fox Drilling"), Cavalier Energy ("Cavalier"), and MGM Energy. Paramount also holds a 15 percent equity interest in Trilogy Energy Corp. ("Trilogy"), which is accounted for using the equity method of investment accounting. The financial statements of Paramount's subsidiaries and partnerships are prepared for the same reporting periods as the parent in accordance with the Company's accounting policies. All intercompany balances and transactions have been eliminated.

These unaudited Interim Condensed Consolidated Financial Statements of the Company, as at and for the three and six months ended June 30, 2017 (the "Interim Financial Statements"), were authorized for issuance by the Audit Committee of Paramount's Board of Directors on August 8, 2017.

These Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* on a basis consistent with the accounting, estimation and valuation policies described in the Company's audited Consolidated Financial Statements as at and for the year ended December 31, 2016 (the "Annual Financial Statements"). These Interim Financial Statements are stated in thousands of Canadian dollars, unless otherwise noted, and have been prepared on a historical cost basis, except for certain financial instruments which are stated at fair value. Certain information and disclosures normally required to be included in the notes to the Annual Financial Statements prepared in accordance with International Financial Reporting Standards have been condensed or omitted. These Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

Changes in Accounting Standards

There were no new accounting standards adopted by the Company for the six months ended June 30, 2017. A description of accounting standards that will be effective in the future is included in the notes to the Company's Annual Financial Statements.

(Unaudited)
(Tabular amounts stated in $ thousands, except as noted)

2. Segmented Information

Three months ended June 30, 2017	Principal Properties	Strategic Investments	Corporate	Inter-segment Eliminations	Total
Revenue	60,552	–	–	–	60,552
Gain on financial commodity contracts	8,550	–	–	–	8,550
	69,102	–	–	–	69,102
Expenses					
Operating expense	17,197	–	–	–	17,197
Transportation and NGLs processing	8,177	–	–	–	8,177
General and administrative	–	1,540	3,662	–	5,202
Share-based compensation	–	1,018	1,694	–	2,712
Depletion and depreciation	34,243	2,967	245	(1,399)	36,056
Exploration and evaluation	1,090	467	–	–	1,557
Gain on sale of oil and gas assets	(80,466)	(389)	–	–	(80,855)
Interest and financing	–	6	82	–	88
Accretion of asset retirement obligations	857	105	–	–	962
Foreign exchange	–	–	284	–	284
Corporate acquisition and merger costs	–	–	4,737	–	4,737
	(18,902)	5,714	10,704	(1,399)	(3,883)
Income from equity-accounted investment	–	3,766	–	–	3,766
Write-down of investments in securities	–	(11,030)	–	–	(11,030)
Other	112	–	1,671	–	1,783
Drilling rig revenue	–	4,759	–	(4,442)	317
Drilling rig expense	–	(4,258)	–	3,781	(477)
	88,116	(12,477)	(9,033)	738	67,344
Inter-segment eliminations	–	738	–	(738)	–
Segment income (loss)	88,116	(11,739)	(9,033)	–	67,344
Income tax expense					(22,011)
Net income					45,333

Three months ended June 30, 2016	Principal Properties	Strategic Investments	Corporate	Inter-segment Eliminations	Total
Revenue	74,398	–	–	–	74,398
Loss on financial commodity contracts	(9,597)	–	–	–	(9,597)
	64,801	–	–	–	64,801
Expenses					
Operating expense	36,850	–	–	–	36,850
Transportation and NGLs processing	19,863	–	–	–	19,863
General and administrative	–	1,592	5,364	–	6,956
Share-based compensation	–	3,472	14,265	–	17,737
Depletion and depreciation	72,353	4,006	216	(1,068)	75,507
Exploration and evaluation	1,570	209	–	–	1,779
Gain on sale of oil and gas assets	(131,806)	–	–	–	(131,806)
Interest and financing	–	1,034	25,933	–	26,967
Accretion of asset retirement obligations	1,164	92	–	–	1,256
Foreign exchange	–	–	1,888	–	1,888
	(6)	10,405	47,666	(1,068)	56,997
Loss from equity-accounted investments	–	(4,441)	–	–	(4,441)
Write-down of investments in securities	–	(891)	–	–	(891)
Other	(106)	–	–	–	(106)
Drilling rig revenue	–	7,296	–	(7,296)	–
Drilling rig expense	–	(2,617)	–	2,371	(246)
	64,701	(11,058)	(47,666)	(3,857)	2,120
Inter-segment eliminations	–	(3,857)	–	3,857	–
Segment income (loss)	64,701	(14,915)	(47,666)	–	2,120
Income tax expense					(32,680)
Net loss					(30,560)

(Unaudited)
(Tabular amounts stated in $ thousands, except as noted)

Six months ended June 30, 2017	**Principal Properties**	**Strategic Investments**	**Corporate**	**Inter-segment Eliminations**	**Total**
Revenue	113,226	–	–	–	**113,226**
Gain on financial commodity contracts	20,863	–	–	–	**20,863**
	134,089	–	–	–	**134,089**
Expenses					
Operating expense	32,057	–	–	–	**32,057**
Transportation and NGLs processing	14,312	–	–	–	**14,312**
General and administrative	–	3,415	8,279	–	**11,694**
Share-based compensation	–	1,912	3,519	–	**5,431**
Depletion and depreciation	31,691	6,704	452	(3,977)	**34,870**
Exploration and evaluation	4,729	567	–	–	**5,296**
Gain on sale of oil and gas assets	(87,923)	(423)	–	–	**(88,346)**
Interest and financing	–	14	426	–	**440**
Accretion of asset retirement obligations	1,739	210	–	–	**1,949**
Foreign exchange	–	–	190	–	**190**
Corporate acquisition and merger costs	–	–	4,737	–	**4,737**
	(3,395)	12,399	17,603	(3,977)	**22,630**
Income from equity-accounted investment	–	4,935	–	–	**4,935**
Decrease in market value of securities distributed	–	(10,450)	–	–	**(10,450)**
Write-down of investments in securities	–	(11,030)	–	–	**(11,030)**
Other	212	–	3,739	–	**3,951**
Drilling rig revenue	–	13,585	–	(13,209)	**376**
Drilling rig expense	–	(10,307)	–	9,875	**(432)**
	137,696	(25,666)	(13,864)	643	**98,809**
Inter-segment eliminations	–	643	–	(643)	**–**
Segment income (loss)	137,696	(25,023)	(13,864)	–	**98,809**
Income tax expense					**(32,740)**
Net income					**66,069**

Six months ended June 30, 2016	Principal Properties	Strategic Investments	Corporate	Inter-segment Eliminations	Total
Revenue	162,747	–	–	–	162,747
Gain on financial commodity contracts	4,130	–	–	–	4,130
	166,877	–	–	–	166,877
Expenses					
Operating expense	61,095	–	–	–	61,095
Transportation and NGLs processing	39,495	–	–	–	39,495
General and administrative	–	3,290	12,051	–	15,341
Share-based compensation	–	4,800	17,943	–	22,743
Depletion and depreciation	160,871	4,101	388	(1,068)	164,292
Exploration and evaluation	3,880	344	–	–	4,224
Gain on sale of oil and gas assets	(130,975)	(20)	–	–	(130,995)
Interest and financing	–	2,035	55,019	–	57,054
Accretion of asset retirement obligations	2,429	183	–	–	2,612
Foreign exchange	–	–	(38,399)	–	(38,399)
	136,795	14,733	47,002	(1,068)	197,462
Loss from equity-accounted investments	–	(8,749)	–	–	(8,749)
Write-down of investments in securities	–	(6,493)	–	–	(6,493)
Other	(40)	–	–	–	(40)
Drilling rig revenue	–	8,916	–	(8,916)	–
Drilling rig expense	–	(3,218)	–	2,371	(847)
	30,042	(24,277)	(47,002)	(5,477)	(46,714)
Inter-segment eliminations	–	(5,477)	–	5,477	–
Segment income (loss)	30,042	(29,754)	(47,002)	–	(46,714)
Income tax expense					(29,813)
Net loss					(76,527)

(Unaudited)
(Tabular amounts stated in $ thousands, except as noted)

Other Income (Loss)

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Interest income	**1,521**	–	**3,611**	–
Drilling rig revenue	**317**	–	**376**	–
Drilling rig expense	**(477)**	(246)	**(432)**	(847)
Other	**262**	(106)	**340**	(40)
	1,623	(352)	**3,895**	(887)

In December 2016, the Company's Board of Directors declared a dividend of 3.8 million class A common shares of Seven Generations Energy Ltd. ("7Gen Shares") to holders of record of Paramount's Common Shares on January 9, 2017, resulting in an entitlement of approximately 0.036 of a 7Gen Share for each Common Share, subject to rounding for fractions. The dividend was paid on January 16, 2017.

The decrease in the fair value of Paramount's investment in 3.8 million 7Gen Shares of $10.5 million between the acquisition date and the date of the dividend was reclassified from accumulated other comprehensive income to earnings in January 2017. An associated income tax recovery of $1.4 million was also reclassified to earnings. The value ascribed to the dividend as at December 31, 2016 of $119.0 million was reduced by $19.1 million in January 2017 due to a decrease in the market price of 7Gen Shares prior to distribution, which was recorded as an increase in Retained Earnings.

3. Exploration and Evaluation

	Six months ended June 30, 2017	Twelve months ended December 31, 2016
Balance, beginning of period	**301,530**	363,724
Additions	**4,652**	48,141
Change in asset retirement provision	**–**	2,942
Transfers to property, plant and equipment	**(5,387)**	(23,700)
Dry hole	**(17)**	(13,811)
Expired lease costs	**(3,033)**	(6,194)
Write-downs	**–**	(2,969)
Dispositions	**(22,073)**	(66,603)
Balance, end of period	**275,672**	301,530

Exploration and Evaluation Expense

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Geological and geophysical	**1,271**	1,019	**2,246**	2,181
Dry hole	**110**	9	**17**	(35)
Expired lease costs	**176**	751	**3,033**	2,078
	1,557	1,779	**5,296**	4,224

(Tabular amounts stated in $ thousands, except as noted)

4. Property, Plant and Equipment

Six months ended June 30, 2017	Petroleum and natural gas assets	Drilling rigs	Other	Total
Cost				
Balance, December 31, 2016	1,982,438	156,437	30,435	**2,169,310**
Additions	260,697	458	674	**261,829**
Transfers from exploration and evaluation	5,387	–	–	**5,387**
Dispositions	(253,131)	–	(162)	**(253,293)**
Change in asset retirement provision	7,394	–	–	**7,394**
Cost, June 30, 2017	2,002,785	156,895	30,947	**2,190,627**
Accumulated depletion, depreciation and write-downs				
Balance, December 31, 2016	(1,208,652)	(55,442)	(22,492)	**(1,286,586)**
Depletion and depreciation	(74,144)	(6,561)	(814)	**(81,519)**
Reversal of prior-years' write-downs	42,111	–	–	**42,111**
Dispositions	186,203	–	154	**186,357**
Accumulated depletion, depreciation and write-downs, June 30, 2017	(1,054,482)	(62,003)	(23,152)	**(1,139,637)**
Net book value, December 31, 2016	773,786	100,995	7,943	**882,724**
Net book value, June 30, 2017	948,303	94,892	7,795	**1,050,990**

Depletion and Depreciation

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Depletion and depreciation	**37,791**	76,754	**81,630**	166,050
Reversal of prior-years' write-downs of property, plant and equipment	**–**	–	**(42,111)**	–
Inter-segment eliminations	**(1,735)**	(1,247)	**(4,649)**	(1,758)
	36,056	75,507	**34,870**	164,292

In May 2017, Paramount closed the sale of its oil and gas properties in the Valhalla area of Alberta (the "Valhalla Assets") within the Principal Properties business segment for gross cash proceeds of $151.3 million.

A reversal of previously recorded impairment charges of $42.1 million was recorded for the three months ended March 31, 2017, representing the amount required to increase the carrying value of the Valhalla Assets to the amount that would have been determined, net of depletion and amortization, had no impairment charges been recognized in prior periods.

The Valhalla Assets were re-classified as Assets Held for Sale in Paramount's interim financial statements as at March 31, 2017, and as a result no depletion and depreciation was recorded in respect of such assets in the second quarter of 2017.

A gain of $82.2 million was recorded for the three months ended June 30, 2017 in respect of the sale of the Valhalla Assets.

(Unaudited)
(Tabular amounts stated in $ thousands, except as noted)

5. Equity-Accounted Investment

As at	June 30, 2017			December 31, 2016		
	Shares (000's)	**Carrying Value**	**Market Value (1)**	*Shares (000's)*	Carrying Value	Market Value (1)
Trilogy	***19,144***	**48,988**	**93,233**	*19,144*	44,053	144,540

(1) Based on the period-end trading price (level one fair value hierarchy estimate).

Equity income (loss) from the investment in Trilogy is comprised of the following:

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Equity income (loss)	**3,772**	(4,421)	**4,941**	(8,729)
Dilution loss	**(6)**	(20)	**(6)**	(20)
	3,766	(4,441)	**4,935**	(8,749)

The following tables summarize the assets, liabilities, equity, revenue and income of Trilogy and Paramount's investment in Trilogy:

As at June 30	2017	2016
Current assets	**45,852**	37,494
Non-current assets (1)	**1,082,862**	1,195,722
Current liabilities	**(53,635)**	(32,841)
Non-current liabilities	**(681,331)**	(806,071)
Equity (1)	**393,748**	394,304
Multiply by: Paramount's equity interest	**15.2%**	15.2%
Paramount's proportionate share of equity	**59,762**	59,880
Less: portion of share-based compensation recorded in equity of Trilogy	**(10,774)**	(10,259)
Carrying value of Paramount's investment	**48,988**	49,621

(1) Includes adjustments to Trilogy's carrying values required in the application of the equity method of investment accounting for shares of Trilogy purchased by the Company in the open market in prior years. Excluding such adjustments, Trilogy's non-current assets as at June 30, 2017 totaled $1,087.5 million (2016 – $1,200.4 million) and equity totaled $398.4 million (2016 – $399.0 million).

Six months ended June 30	2017	2016
Revenue	**126,521**	78,430
Comprehensive income (loss) (1)	**32,548**	(57,471)
Paramount's share of Trilogy's comprehensive income (loss)	**4,941**	(8,729)

(1) Comprehensive loss for the six months ended June 30, 2016 includes amortization of the adjustments to Trilogy's non-current assets required in the application of the equity method of investment accounting for shares of Trilogy purchased by the Company in prior years in the open market. Excluding such adjustments, Trilogy's comprehensive loss for the six months ended June 30, 2016 was $56.7 million.

Trilogy had 6.2 million stock options outstanding (2.4 million exercisable) at June 30, 2017 at exercise prices ranging from $4.49 to $10.39 per share.

6. Investments in Securities

As at	June 30, 2017		December 31, 2016	
	Shares (000's)	**Carrying Value**	*Shares (000's)*	Carrying Value
MEG Energy Corp.	***3,700***	**14,097**	*3,700*	34,151
Privateco		**21,111**		18,675
Other (1)		**11,959**		11,367
		47,167		64,193

(1) Includes investments in Blackbird Energy Inc., Marquee Energy Ltd., RMP Energy Inc., Strategic Oil & Gas Ltd., and other public corporations.

Investments in publicly traded securities are carried at their period-end trading price, which are level one fair value hierarchy inputs. The estimated fair value of the Company's investment in the shares of a private oil and gas company ("Privateco") is based on equity issuances and other indications of value by Privateco from time-to-time (level three fair value hierarchy inputs).

For the six months ended June 30, 2017 aggregate unrealized losses of $11.0 million related to the Company's investments in MEG Energy Corp., Blackbird Energy Inc., Marquee Energy Ltd., and other securities previously recorded in other comprehensive income (loss) were charged to net earnings as a result of significant decreases in the market prices of the securities. For the six months ended June 30, 2016 aggregate unrealized losses of $6.5 million related to the Company's investments in MEG Energy Corp., Marquee Energy Ltd., and other securities previously recorded in other comprehensive income (loss) were charged to net earnings.

7. Long-Term Debt

In July 2017, the Company's revolving credit facility (the "Facility") was increased from $100 million to $300 million following completion of the lender's annual review. The revolving period of the Facility ends on April 30, 2018. In the event the revolving period is not extended, any undrawn availability would be cancelled and all amounts then outstanding would be permitted to remain outstanding on a non-revolving basis until April 30, 2019, the maturity date of the Facility.

The borrowing base governs the maximum amount which can be drawn on the Facility. The Lender has the right to review and re-determine Paramount's borrowing base on a semi-annual basis and more frequently in certain other circumstances. The borrowing base amount is based on the Company's reserves, the Lender's projections of future commodity prices and the value attributed by the Lender to Paramount's other assets, among other factors.

Borrowings on the Facility bear interest at the Lender's prime lending rate, US base rates, bankers' acceptance rates, or LIBOR rates, as selected at the discretion of the Company, plus an applicable margin which is dependent upon the Company's debt-to-cash flow ratio and the total amount drawn. The Facility is secured by a fixed and floating charge over substantially all of the assets of Paramount, excluding the assets of Cavalier.

At June 30, 2017, no amounts were drawn on the Facility. Paramount had undrawn letters of credit outstanding totaling $20.6 million at June 30, 2017 that reduce the amount available to be drawn on the Facility.

8. Asset Retirement Obligations

	Six months ended June 30, 2017	Twelve months ended December 31, 2016
Asset retirement obligations, beginning of period	**212,309**	273,580
Retirement obligations incurred	**4,070**	6,616
Revisions to estimated retirement costs	**3,324**	5,301
Obligations settled	**(4,766)**	(1,753)
Dispositions	**(20,668)**	(76,057)
Accretion expense	**1,949**	4,622
Asset retirement obligations, end of period	**196,218**	212,309

Asset retirement obligations at June 30, 2017 were determined using a weighted average risk-free rate of 2.0 percent (December 31, 2016 – 2.0 percent) and an inflation rate of 2.0 percent (December 31, 2016 – 2.0 percent).

9. Share Capital

At June 30, 2017, 106,200,395 (December 31, 2016 – 105,784,070) Class A Common Shares ("Common Shares") of the Company were outstanding, net of nil (December 31, 2016 – 2,865) Common Shares held in trust under the stock incentive plan.

In December 2016, the Company's Board of Directors declared a dividend of 3.8 million 7Gen Shares to holders of record of Paramount's Common Shares on January 9, 2017, resulting in an entitlement of approximately 0.036 of a 7Gen Share for each Common Share, subject to rounding for fractions. The dividend was paid on January 16, 2017.

Paramount implemented a normal course issuer bid ("NCIB") on October 13, 2016. The NCIB will terminate on the earlier of: (i) October 12, 2017; and (ii) the date on which the maximum number of Common Shares that can be acquired pursuant to the NCIB are purchased. Paramount may purchase up to 5,441,602 Common Shares under the NCIB. Any Common Shares purchased pursuant to the NCIB will be cancelled by the Company. To June 30, 2017, the Company has purchased and cancelled 622,900 Common Shares under the NCIB at a total cost of $9.7 million.

Weighted Average Common Shares

Three months ended June 30	**2017**		2016	
	Wtd. Avg Shares (000's)	**Net income**	*Wtd. Avg Shares (000's)*	Net loss
Net income (loss) – basic	***106,172***	**45,333**	*106,231*	(30,560)
Dilutive effect of Paramount Options	***938***	**–**	–	–
Net income (loss) – diluted	***107,110***	**45,333**	*106,231*	(30,560)

Six months ended June 30	2017		2016	
	Wtd. Avg Shares (000's)	Net income	*Wtd. Avg Shares (000's)*	Net loss
Net income (loss) – basic	*106,145*	66,069	*106,222*	(76,527)
Dilutive effect of Paramount Options	*891*	–	–	–
Net income (loss) – diluted	*107,036*	66,069	*106,222*	(76,527)

Outstanding Paramount Options can be exchanged for the Company's Common Shares in accordance with the terms of the stock option plan. As a result, they are potentially dilutive and are included in Paramount's diluted per share calculations when they are dilutive to net income per share. The Company had 3.8 million Paramount Options outstanding at June 30, 2017 (June 30, 2016 – 2.4 million), of which 2.0 million (June 30, 2016 – 2.4 million) were anti-dilutive.

10. Reserves

	Unrealized gains on securities	Contributed surplus	Total reserves
Balance, December 31, 2016	31,724	115,775	147,499
Other comprehensive loss	(19,825)	–	(19,825)
Share-based compensation	–	4,602	4,602
Options exercised	–	(1,491)	(1,491)
Balance, June 30, 2017	11,899	118,886	130,785

11. Share-Based Compensation

Paramount Options

	Six months ended June 30, 2017		Twelve months ended December 31, 2016	
	Number	Weighted average exercise price ($/share)	*Number*	Weighted average exercise price ($/share)
Balance, beginning of period	*4,322,120*	13.00	*7,238,650*	34.66
Granted	–	–	*4,565,100*	12.74
Exercised (1)	*(413,460)*	8.24	*(175,840)*	8.34
Cancelled	*(98,080)*	13.18	*(6,227,300)*	35.41
Forfeited	–	–	*(148,040)*	21.05
Expired	–	–	*(930,450)*	29.83
Balance, end of period	*3,810,580*	13.51	*4,322,120*	13.00
Options exercisable, end of period	*400,160*	8.29	*811,740*	8.26

(1) For Paramount Options exercised during the six months ended June 30, 2017, the weighted average market price of Paramount's Common Shares on the dates exercised was $18.27 (2016 – $9.18).

Cavalier Options

During the first quarter of 2017, Cavalier granted 5.0 million Cavalier Options, which vest over five years and expire 7.7 years from the grant date.

The grant date fair value of Cavalier Options awarded was estimated using the Black-Scholes-Merton model, incorporating the following inputs: expected volatility 57%, expected life 7.7 years, risk-free interest rate of 1.4%, pre-vest forfeiture rate of nil, and expected dividend yield of nil.

As Cavalier is a private company, expected volatility is estimated based on the average historical volatility of the trading price of a group of publicly traded oil sands companies over the most recent period that is generally commensurate with the expected term of the option.

Stock Incentive Plan – Shares Held in Trust

	Six months ended June 30, 2017		Twelve months ended December 31, 2016	
	Shares (000's)		*Shares (000's)*	
Balance, beginning of period	***3***	**9**	*22*	135
Change in vested and unvested shares	***(3)***	**(9)**	*(19)*	(126)
Balance, end of period	**–**	**–**	*3*	9

12. Income Tax

The following table reconciles income taxes calculated at the Canadian statutory rate to Paramount's recorded income tax expense:

	Three months ended June 30		**Six months ended June 30**	
	2017	2016	**2017**	2016
Income (loss) before tax	**67,344**	2,120	**98,809**	(46,714)
Effective Canadian statutory income tax rate	**27.0%**	27.0%	**27.0%**	27.0%
Expected income tax expense (recovery)	**18,183**	572	**26,678**	(12,613)
Effect on income taxes of:				
Statutory and other rate differences	**(307)**	203	**(300)**	267
Decrease in market value of securities distributed	**–**	–	**1,410**	–
Gain on sale of oil and gas assets	**–**	(13,448)	**–**	(13,448)
(Income) loss from equity-accounted investments	**(1,016)**	1,199	**(1,332)**	2,362
Write-down of investments in securities	**2,978**	240	**2,978**	1,752
Change in unrecognized deferred income tax asset	**360**	38,439	**482**	55,168
Flow-through share renunciations	**–**	251	**–**	1,290
Share-based compensation	**644**	4,781	**1,243**	6,111
Unrealized foreign exchange on US Senior Notes	**–**	464	**–**	(10,087)
Non-deductible items and other	**1,169**	(21)	**1,581**	(989)
Income tax expense	**22,011**	32,680	**32,740**	29,813

(Tabular amounts stated in $ thousands, except as noted)

13. Financial Instruments and Risk Management

The Company had the following financial commodity contracts in place as at June 30, 2017:

Instruments	Aggregate notional	Average fixed price	Fair Value	Remaining term
Gas – NYMEX Swaps (Sale)	60,000 MMBtu/d	US$3.42/MMBtu	5,362	July 2017 – December 2017
Gas – NYMEX Swaps (Sale)	10,000 MMBtu/d	US$3.37/MMBtu	510	July 2017 – October 2017
Gas – NYMEX Swaps (Purchase)	40,000 MMBtu/d	US$3.13/MMBtu	(311)	July 2017 – December 2017
Oil – NYMEX WTI Swaps (Sale)	2,000 Bbl/d	CDN$70.43/Bbl	3,639	July 2017 – December 2017
Oil – NYMEX WTI Swap (Sale)	1,000 Bbl/d	US$54.50/Bbl	1,848	July 2017 – December 2017
			11,048	

The fair values of risk management financial instruments are estimated using a market approach incorporating level two fair value hierarchy inputs, including forward market curves and price quotes for similar instruments, provided by financial institutions.

Changes in the fair value of risk management assets and liabilities are as follows:

	Six months ended June 30, 2017	Twelve months ended December 31, 2016
Fair value, beginning of period	(5,180)	40,207
Changes in fair value	20,863	253
Settlements received	(4,635)	(45,640)
Fair value, end of period	11,048	(5,180)

14. Consolidated Statement of Cash Flows - Selected Information

Items Not Involving Cash

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Commodity contracts	(4,800)	20,330	(16,228)	22,355
Share-based compensation	2,712	17,737	5,431	22,743
Depletion and depreciation	36,056	75,507	34,870	164,292
Exploration and evaluation	286	760	3,050	2,043
(Gain) on sale of oil and gas assets	(80,855)	(131,806)	(88,346)	(130,995)
Accretion of asset retirement obligations	962	1,256	1,949	2,612
Foreign exchange	300	1,769	196	(37,966)
(Income) loss from equity-accounted investments	(3,766)	4,441	(4,935)	8,749
Write-down of investments in securities	11,030	891	11,030	6,493
Decrease in market value of securities distributed	–	–	10,450	–
Deferred income tax	22,011	32,680	32,740	29,813
Other	(32)	1,081	(48)	1,729
	(16,096)	24,646	(9,841)	91,868

(Tabular amounts stated in $ thousands, except as noted)

Supplemental Cash Flow Information

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
Interest paid	**–**	42,298	**2**	50,305

Components of cash and cash equivalents

As at	June 30, 2017	December 31, 2016
Cash	**69,307**	76,575
Cash equivalents	**496,314**	545,297
	565,621	621,872

15. Contingencies

In the normal course of Paramount's operations, the Company may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty. Paramount does not anticipate that these claims will have a material impact on its financial position.

In 2016, a release occurred from a non-operated pipeline in which the Company owns a 50 percent interest. The operator, and owner of the remaining 50 percent, has initiated response, containment and remediation activities ("Response Activities"). Total costs to complete the Response Activities are estimated at approximately $60 million. It is Paramount's assessment that it is not responsible for the costs of the Response Activities and as a result, no provision has been recorded in the Company's financial statements.

Tax and royalty legislation and regulations, and government interpretation and administration thereof, continually changes. As a result, there are often tax and royalty matters under review by relevant government authorities. All tax and royalty filings are subject to subsequent government audit and potential reassessments. Accordingly, the final liability may differ materially from amounts estimated and recorded.

16. Subsequent Events

On July 6, 2017, Paramount, through its wholly-owned subsidiary 1636020 Alberta Ltd., entered into an agreement with certain subsidiaries of Apache Corporation to acquire all of the shares of Apache Canada Ltd. for $459.5 million, plus working capital and other monetary adjustments (the "Apache Canada Acquisition").

On July 6, 2017, Paramount also entered into an agreement to merge with Trilogy by way of an arrangement under the *Business Corporations Act* (Alberta). Pursuant to the arrangement, Paramount will acquire all of the common shares and non-voting shares of Trilogy not already owned by Paramount in exchange for Class A common shares of Paramount on the basis of one Paramount share for every 3.75 Trilogy shares (the "Merger").

The Apache Canada Acquisition is not conditional on the completion of the Merger. Closing of the Apache Canada Acquisition is expected to occur in August 2017, subject to customary closing conditions. The Merger is conditional upon the completion of the Apache Canada Acquisition and the receipt of court, shareholder and regulatory approvals and other customary closing conditions and is targeted for completion in September 2017.

Corporate acquisition and merger costs reflect the estimated costs incurred in respect of the Apache Canada Acquisition and the Merger to June 30, 2017.

CORPORATE INFORMATION

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C. H. Riddell
Executive Chairman

J. H. T. Riddell
President and
Chief Executive Officer

B. K. Lee
Chief Financial Officer

G. W. P. McMillan
Corporate Operating Officer

D. S. Purdy
Corporate Operating Officer

J. Wittenberg
Corporate Operating Officer

M. S. Han
V.P. Information Services

P. R. Kinvig
V.P. Finance and Controller

M. Ockenden
V.P. Corporate Planning

G. Stotts
V.P. Development

P. G. Tahmazian
V.P. Midstream

E. M. Shier
General Counsel and
Corporate Secretary,
Manager Land

L. A. Friesen
Assistant Corporate Secretary

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Calgary, Alberta

J. H. T. Riddell (2)
President and
Chief Executive Officer
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Calgary, Alberta

J. G. M. Bell (1) (3) (4)
Chief Operating Officer and
General Counsel
Founders Advantage Capital Corp.
Calgary, Alberta

J. C. Gorman (1) (3) (4)
Independent Businessman
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D. Jungé C.F.A. (2) (4)
Chairman of the Board
Pitcairn Trust Company
Bryn Athyn, Pennsylvania

D. M. Knott (4)
Managing General Partner
Knott Partners, L.P.
Syosset, New York

S. L. Riddell Rose
President and
Chief Executive Officer
Perpetual Energy Inc.
Calgary, Alberta

J. B. Roy (1) (2) (3) (4)
Independent Businessman
Calgary, Alberta

(1) Member of Audit Committee
(2) Member of Environmental, Health and Safety Committee
(3) Member of Compensation Committee
(4) Member of Corporate Governance Committee

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STOCK EXCHANGE LISTING

The Toronto Stock Exchange
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