NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

An annual general meeting (the "Meeting") of the shareholders of Paramount Resources Ltd. (the "Corporation" or "Paramount") will be held in the Conference Centre at Centrium Place, 332-6th Avenue S.W., Calgary, Alberta, on Wednesday, May 9, 2018, at 10:30 a.m. (Calgary time). The purpose of the Meeting is to:

1. receive the audited consolidated financial statements of the Corporation for the fiscal year ended December 31, 2017, and the independent auditors' report thereon;

2. elect the directors of the Corporation;

3. appoint the auditors of the Corporation;

4. approve amendments to Paramount's Stock Option Plan;

5. approve unallocated options under Paramount's Stock Option Plan; and

6. transact any other business as may properly come before the Meeting and any adjournment(s) of the Meeting.

By order of the Board of Directors

(*signed*) "E. Mitchell Shier"
Corporate Secretary

Calgary, Alberta, Canada
March 12, 2018

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MANAGEMENT INFORMATION CIRCULAR

GENERAL INFORMATION

Annual Meeting Date

Paramount Resources Ltd. (the "Corporation" or "Paramount") will be holding an annual general meeting (the "Meeting") of its holders ("Shareholders") of Class A Common Shares ("Common Shares") on May 9, 2018 at 10:30 a.m. (Calgary time) in the Conference Centre at Centrium Place, 332-6th Avenue S.W., Calgary, Alberta.

Date of Information

Information in this management information circular ("Information Circular") is given as of March 12, 2018 unless otherwise noted.

Voting Shares and Principal Holders

On March 12, 2018, Paramount had 133,651,235 issued and outstanding Common Shares. Paramount's Common Shares trade under the symbol "POU" on the Toronto Stock Exchange ("TSX").

To the knowledge of Paramount's directors and executive officers, the only person that held 10% or more of the Common Shares as at March 12, 2018 was Mr. Clayton Riddell, Paramount's Executive Chairman, who beneficially owned or controlled, directly or indirectly, 59,376,166 Common Shares representing approximately 44.43% of the outstanding Common Shares as of such date.

Meeting Materials – Use of Notice and Access

Paramount has elected to use the notice-and-access provisions under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (the "Notice-and-Access Provisions") for the Meeting in respect of mailings to beneficial shareholders of Common Shares but not in respect of mailings to registered holders of Common Shares (i.e. a Shareholder whose name appears on the register of Shareholders). The Notice-and-Access Provisions are a set of rules developed by the Canadian Securities Administrators that are intended to reduce the volume of materials which are mailed to shareholders by allowing a reporting issuer to post online an information circular and related materials in respect of a meeting of its shareholders.

While registered Shareholders will receive a paper copy of the notice of meeting, this information circular and a form of proxy, beneficial Shareholders will receive a notice containing information prescribed by the Notice-and-Access Provisions and a voting instruction form. In addition, a paper copy of the notice of meeting, this information circular, and a voting direction will be mailed to those Shareholders who do not hold their Common Shares in their own name but who have previously requested to receive paper copies of these materials. Furthermore, Paramount's financial statements in respect of its most recently completed financial year were mailed to registered Shareholders and those beneficial Shareholders who previously requested to receive such information.

Additional Information

Additional information concerning Paramount, including Paramount's consolidated comparative interim and annual financial statements and management's discussion and analysis thereon, as well as Paramount's 2017 annual information form, is available through the internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which may be accessed at www.sedar.com. This information may also be accessed on the Corporation's website at www.paramountres.com. Financial information in respect of Paramount's most recently completed financial year is contained in Paramount's comparative annual financial statements and management's discussion and analysis thereon.

Upon request by a securityholder to Paramount's Corporate Secretary at the address set out below, Paramount will provide to such securityholder, without charge, copies of Paramount's 2017 annual information form, Paramount's 2017 annual report (containing the consolidated comparative financial statements for fiscal 2017 together with the independent auditors' report and management's discussion and analysis thereon), interim financial statements for subsequent periods and this Information Circular.

Contact Information

Head Office:	2800, 421 – 7th Avenue SW Calgary, Alberta, Canada T2P 4K9
Attention:	Corporate Secretary
Telephone:	403-290-3600
Website:	www.paramountres.com

VOTING INFORMATION

General Voting Information

Proxy Solicitation

Proxies are being solicited by management of Paramount to be used at the Meeting, or any adjournment(s) of the Meeting. Solicitations will be primarily by mail but may also be by newspaper publication, in person or by telephone, electronic transmission or communication by directors, officers, employees or agents of Paramount. All costs of the solicitation will be paid by Paramount.

Voting

If you are a registered holder of Common Shares at the close of business on March 27, 2018 (the "Record Date"), you are entitled to receive notice of, and to attend and vote at the Meeting. You will be entitled to vote all of the Common Shares that you held on the Record Date at the Meeting except to the extent that:

a. you have transferred ownership of any such Common Shares after the Record Date; and

b. not later than ten days before the Meeting, the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes that they own such Common Shares and demands that their name be included on the list of Shareholders entitled to vote at the Meeting, in which case the transferee will be entitled to vote those Common Shares at the Meeting.

When Common Shares are held jointly by two or more persons, those shares may be voted at the Meeting (either in person or by proxy) by any one of those holders, or, alternatively, by all such holders jointly. Each Common Share is entitled to one vote. A simple majority of votes (50% plus one vote) is required to approve all of the known matters to come before the Meeting.

Quorum

A quorum for the transaction of business is two individuals present in person, each being a Shareholder or proxyholder entitled to vote at the Meeting, who together represent at least 25% of the votes entitled to be cast at the Meeting.

Proxy Voting

You can indicate on your proxy how you want your proxyholder to vote your Common Shares or you can let your proxyholder decide for you. If you specify how you want your Common Shares voted, then your proxyholder must vote in accordance with your instructions. In the absence of specific instructions, your proxyholder can vote your Common Shares as he or she sees fit. **If you appoint Mr. Clayton H. Riddell of Calgary, Alberta, or failing him, Mr. James H.T. Riddell also of Calgary, Alberta, and do not specify how you want your Common Shares to be voted, your Common Shares will be voted as follows:**

Election of each management nominee as a director	FOR
Appointment of auditors	FOR
Approval of Amendments to Paramount's Stock Option Plan	FOR
Approval of unallocated options under Paramount's Stock Option Plan	FOR

Amendments or Other Matters

At the time of printing this Information Circular, Paramount's management does not know of any matter that may come before the Meeting other than the matters referred to above, (or of any potential amendment to, or variation of, these matters). If any other matters (or any amendments to, or variations of, the above matters) do properly come before the Meeting, your proxyholder will vote on them using his or her best judgment.

Registered Shareholder Voting

If your Common Shares are held in your name and you have a share certificate, then you are a registered Shareholder. You may vote in person at the Meeting, by proxy, by telephone, or by internet. For further instructions, see the enclosed form of proxy.

Voting in Person

If you plan to attend the Meeting and vote your Common Shares in person, do not complete the enclosed proxy form. When you arrive at the Meeting, register with Paramount's transfer agent, Computershare Trust Company of Canada, and your vote at the Meeting will be counted.

Voting by Proxy
You may also vote your Common Shares by proxy. If you choose to vote by proxy, you may use the enclosed proxy or complete another proper instrument of proxy. The persons named in the enclosed proxy are directors of Paramount. **You may appoint some other person to be your proxyholder at the Meeting by inserting that person's name in the blank space provided in the enclosed form of proxy or by completing another proper instrument of proxy.** In either case, you must deliver the completed and executed proxy to either:

a. the registered office of the Corporation at Suite 2800, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9, Attention: Corporate Secretary; or

b. the Corporation's transfer agent, Computershare Trust Company of Canada, Ninth Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, Attention: Proxy Department

no later than 10:30 a.m. (Calgary time) on May 7, 2018 or, if the Meeting is adjourned, at least 48 hours (excluding weekends and holidays) before the time set for the Meeting to resume. **The time limit for deposit of proxies may be waived or extended by the Chairman of the Meeting at his or her discretion without notice.** If you have voted by proxy, you may not vote in person at the Meeting unless you revoke your proxy.

Revoking your Proxy
You may revoke your proxy any time before it is acted upon by:

a. signing a new proxy bearing a later date and delivering it to Paramount's registered office or to Paramount's transfer agent, Computershare Trust Company of Canada, at either of the above addresses at least 48 hours (excluding weekends and holidays) prior to the commencement of the Meeting or any adjournment of the Meeting; or

b. depositing written notice of revocation at Paramount's registered office or to Paramount's transfer agent, Computershare Trust Company of Canada, at either of the above addresses at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, or delivering it to the Chairman of the Meeting at the Meeting; or

c. attending and voting at the Meeting.

Beneficial Shareholder Voting

If your Common Shares are held in the name of a nominee (i.e. deposited with a securities broker, bank or other institution) then you are a beneficial Shareholder. You may vote in person at the Meeting as proxy for the registered holder of your Common Shares, or provide voting instructions to the registered holder of your Common Shares via mail, telephone or internet. For further instructions, see the voting instruction or proxy form provided to you.

Voting in Person
If you plan to attend the Meeting and vote your Common Shares in person as proxyholder for the registered holder of your Common Shares, insert your name on the voting instruction or proxy form provided to you and follow the applicable instructions on that form. When you arrive at the Meeting, register with Paramount's transfer agent, Computershare Trust Company of Canada, and your vote at the Meeting will be counted, provided the proxy is in good order.

Voting Instructions
Applicable regulatory policies require registered shareholders who hold their shares as nominees to seek (or have an intermediary seek on their behalf) voting instructions from their respective beneficial shareholders in advance of shareholders' meetings. Every nominee and intermediary has its own mailing procedures and provides its own voting and return instructions. The voting and return instructions for your applicable nominee or intermediary are set out in the voting instruction or proxy form that they have provided to you. You must carefully follow the instructions on this form in order to ensure your Common Shares are voted at the Meeting. The vast majority of nominees now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge"). If your nominee has appointed Broadridge, you should have received a scannable voting instruction form from Broadridge, and you will need to either complete and return this form to Broadridge by mail, or alternatively, convey your voting instructions to them via the internet or by calling a toll-free telephone number as set out in the form. Broadridge will tabulate the results of all instructions that it receives and provide appropriate voting instructions to Computershare Trust Company of Canada for use at the Meeting. **A beneficial Shareholder must comply with the instructions on the voting instruction or proxy form provided to it well in advance of the Meeting in order to ensure their Common Shares can be voted at the Meeting.**

BUSINESS OF THE MEETING

Financial Statements

Paramount's consolidated financial statements as at and for the year ended December 31, 2017 and the auditors' report thereon are in the 2017 annual report mailed to registered Shareholders and will be placed before Shareholders at the Meeting.

Election of Directors

Paramount's articles provide that the Board of Directors (the "Board") shall consist of a minimum of three and a maximum of twelve directors. By resolution on March 7, 2018, the Board fixed the number of directors to be elected at the Meeting at ten, each of whom will serve until the next annual meeting of Shareholders or until their respective successors are elected or appointed. The ten nominees are:

- Clayton Riddell
- James Riddell
- James Bell
- Wilfred Gobert
- John Gorman
- Dirk Jungé
- Robert MacDonald
- Keith MacLeod
- Susan Riddell Rose
- John Roy

All director nominees have consented to being named in this Information Circular and to serve as directors if elected. Paramount's management does not contemplate that any of the director nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, your proxyholder has the right to use his or her discretion in voting for another nominee unless you have specified in your voting instruction or proxy form that he or she does not have such authority. The Corporation's articles permit the Board, between annual meetings of Shareholders, to appoint one or more additional directors (up to a maximum of one-third of the number of directors who held office at the expiration of the last annual meeting of Shareholders).

Your proxyholder will vote FOR the election of each of these nominees as a director of Paramount unless you indicate in your voting instruction or proxy form that authority to do so is withheld in respect of one or more of the nominees.

Appointment of Auditors

Unless you indicate in the enclosed voting instruction or proxy form that authority to vote for the re-appointment of the Corporation's current auditors is withheld, your proxyholder will vote FOR the re-appointment of Ernst & Young LLP, Chartered Professional Accountants, Calgary City Centre, 2200, 215 – 2nd Street S.W., Calgary, Alberta T2P 1M4, as auditors of the Corporation to hold office until the next annual meeting of Shareholders. Ernst & Young LLP have been Paramount's auditors since its inception in 1978.

The information regarding Paramount's audit committee as required by section 5.1 of National Instrument 52-110 is set forth in Paramount's 2017 annual information form under the heading "Audit Committee Information" and in Appendix C thereto.

Approval of Amendments to Paramount's Stock Option Plan and Unallocated Options Thereunder

On March 7, 2018, the Board approved the following changes (the "Option Plan Amendments") to Paramount's Stock Option Plan (the "Option Plan"), subject to TSX and Shareholder approval (i) revising the provisions of the Option Plan governing amendments to the Option Plan and/or options granted thereunder to update and clarify what amendments can be made without shareholder approval and what amendments require Shareholder approval; (ii) revising the provision regarding the minimum exercise price of options granted such that the volume weighted average trading price of the Common Shares on the TSX for the five completed trading days immediately prior to the date of grant shall be used instead of the closing price of the Common Shares on the TSX on the trading day prior to the grant date; and (iii) to extend the expiry date of options that would otherwise expire during (or shortly after the termination of) blackout periods or other trading restrictions imposed by the Corporation. The revisions to the Option Plan amendment provisions are to, among other things, adopt certain best practices. The text of the Option Plan Amendments is set forth in Schedule “B” hereto. The Board also made certain other non-substantive amendments of a “housekeeping” nature to the Option Plan.

Pursuant to Section 613(i)(v) of the TSX Company Manual and the terms of the Option Plan, the Option Plan Amendments require Shareholder approval. If approved, the Option Plan Amendments will be effective from and after such date and will not have any retroactive effect on the terms of options previously granted by the Corporation.

Additionally, Section 613(a) of the TSX Company Manual provides that every three years after the institution of a security-based compensation arrangement (“SBCA”) which does not have a fixed maximum number of securities issuable under it, all unallocated rights, options or other entitlements under such SBCA must be approved by a majority of the issuer’s directors and by the issuer’s shareholders. Unallocated options are those options that are available for grant but have not yet been granted under a SBCA. The Option Plan is a “rolling” option plan. This means that Paramount can issue options under it to acquire up to a maximum of 10% of its issued and outstanding Common Shares from time to time. As the Option Plan is a SBCA and as the maximum number of Common Shares issuable under the Option Plan is a percentage (i.e. 10% of the issued and outstanding Common Shares from time to time) as opposed to a fixed number of Common Shares, approval of the unallocated options under the Option Plan requires Shareholder approval since the plan was last approved on May 7, 2015. As the Meeting is on May 9, 2018, no options may be granted under the Option Plan after May 7, 2018 unless and until the unallocated options are approved at the Meeting.

Accordingly, at the Meeting Shareholders will be asked to approve an ordinary resolution approving the Option Plan Amendments and an ordinary resolution approving the unallocated options under the Option Plan.

If Shareholder approval of the unallocated options under the Option Plan is obtained at the Meeting, Paramount will not be required to seek further approval of the unallocated options under the Option Plan until May 9, 2021. If Shareholder approval of the unallocated options under the Option Plan is not obtained at the Meeting, all unallocated options under the Option Plan will be cancelled and the Corporation will not be permitted to make any further option grants under the Option Plan until Shareholder approval has been obtained; however, previously allocated options will not be affected by the Shareholders’ approval or disapproval of the unallocated options. Lastly, if Shareholder approval of the Option Plan Amendments is not obtained, the Option Plan Amendments will not be implemented and the Option Plan will continue without such amendments.

The Board has unanimously approved both the unallocated options under the Option Plan and the Option Plan Amendments (subject to regulatory and Shareholder approval), as the Option Plan is a core element of Paramount’s compensation program, and, in particular, the primary component of it that is focused on providing Paramount’s officers, employees and directors with long term, “at risk” compensation that ensures they are aligned with Paramount’s Shareholders in creating long term shareholder value. Option grants vest over an extended period, generally five years, with the first vesting generally only occurring in the year following the grant. In addition, the Board has at all times been cognizant of Shareholders’ interests in awarding options under the Option Plan. Over the past three years the allocated options under the Option Plan have ranged between 0.6% and 4.3% of Paramount’s issued and outstanding Common Shares, and the aggregate number of allocated options held by all non-employee directors has at no time exceeded 1% of Paramount’s outstanding Common Shares (in each case on a non-diluted basis). See “COMPENSATION DISCUSSION AND ANALYSIS - INCENTIVE PLANS – Option Plan Burn Rate”.

The Option Plan is described in more detail in this Circular under the headings “COMPENSATION DISCUSSION AND ANALYSIS” and “INCENTIVE PLANS”, and the Option Plan Amendments are set forth in Schedule B to this Circular.

As at March 12, 2018, Paramount had allocated options to purchase 9,799,154 Common Shares (representing approximately 7.33% of Paramount’s outstanding Common Shares as of that date), leaving 3,565,969 unallocated options available for future grants (with the 3,565,969 Common Shares associated with these unallocated options representing approximately 2.67% of Paramount’s outstanding Common Shares as at March 12, 2018).

At the Meeting, Shareholders will be asked to consider, and if thought advisable, pass the following ordinary resolution to approve the Option Plan Amendments:

> “Be it resolved as an ordinary resolution that:
>
> 1. the Option Plan Amendments be and the same are hereby approved; and
>
> 2. any officer or director of Paramount is authorized, in the name and on behalf of Paramount, to do all such things and execute all such documents as may be necessary or advisable to implement this resolution.”

In order for this resolution to be passed, it must be approved by a simple majority of the votes cast by Shareholders in person or represented by proxy at the Meeting. Management recommends voting FOR the resolution.

At the Meeting, Shareholders will be also asked to consider, and if thought advisable, pass the following ordinary resolution to approve the unallocated options under the Option Plan:

> "Be it resolved as an ordinary resolution that:
>
> 1. all unallocated options that exist from time to time under Paramount's Stock Option Plan from and after the date hereof up to and including May 9, 2021, are hereby authorized and approved; and
>
> 2. any officer or director of Paramount is authorized, in the name and on behalf of Paramount, to do all such things and execute all such documents as may be necessary or advisable to implement this resolution."

In order for this resolution to be passed, it must be approved by a simple majority of the votes cast by Shareholders in person or represented by proxy at the Meeting. Management recommends voting FOR the resolution.

Other Matters to Be Acted Upon

Management knows of no matters to come before the Meeting other than the matters referred to in the enclosed Notice of Annual General Meeting of Shareholders to which this Information Circular is attached. If any matters which are not known at the time of the Information Circular should properly come before the Meeting, proxies will be voted on such matters in accordance with the best judgment of the person holding such proxy.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

The following table provides information with respect to the ten director nominees.

Shareholders are entitled to vote for or withhold their vote for each nominee on an individual basis, and the Board has adopted a majority voting policy which provides that if a director receives more "withhold" votes than "for" votes in an uncontested election of directors that director must immediately tender his or her resignation, and the remaining Board members must determine whether or not to accept such resignation within 90 days (and will be required to accept the resignation absent exceptional circumstances).

Any Shareholder who wishes to nominate one or more other directors can do so by submitting to Paramount's Corporate Secretary the information required by Paramount's bylaws, including the nominees' names, backgrounds, qualifications and experience. Paramount's bylaws require that a Shareholder give the Corporation advance notice of any proposal to nominate directors for election to the Board when nominations are not made through the procedures set out in the *Business Corporations Act* (Alberta). If the nomination is to be presented at an annual meeting of Shareholders, the notice must be given 30 to 65 days in advance of the meeting; provided that if the annual meeting is to be held less than 50 days after Paramount announces the meeting date, the notice must, in those circumstances, be given within 10 days of the meeting announcement. If the nomination is to be presented at a special meeting of Shareholders (that is not also an annual meeting) where one of the items of business is the election of directors, then the notice must be given within 15 days of the meeting announcement. All nominations received will be forwarded to the Chair of the Corporate Governance Committee who will present them to the committee for consideration.

Clayton Riddell(1)

Calgary, Alberta, Canada
Executive Chairman
Paramount Resources Ltd.
Non-Independent Director
Director Since: 1978
Age: 80

Mr. Riddell has been the Chairman of the Board and a director of Paramount since 1978. He was also the CEO until May 2015 and President until 2002. He is the Executive Chairman of the Board of Perpetual Energy Inc., a public oil and gas exploration and production company. Prior to Trilogy Energy Corp.'s merger with Paramount Resources Ltd. on September 12, 2017, Mr. Riddell was the Chairman of the Board of Trilogy Energy Corp.

Mr. Riddell graduated from the University of Manitoba with a Bachelor of Science (Honours) degree in Geology and is currently a member of the Association of Professional Engineers and Geoscientists of Alberta, the Canadian Society of Petroleum Geologists, and the American Association of Petroleum Geologists. He received the J.C. Sproule Memorial Plaque from the Canadian Institute of Mining (1994), the Stanley Slipper Gold Medal from the Canadian Society of Petroleum Geologists (1999), an Honorary Doctor of Science degree from the University of Manitoba (2004), an Honorary Doctor of Laws degree from Carleton University (2014), and an Outstanding Explorer award from the American Association of Petroleum Geologists (2004). In 2006, Mr. Riddell was inducted into the Calgary Business Hall of Fame and in 2008 he was made an Officer of the Order of Canada. Mr. Riddell received the Fraser Institute's T. Patrick Boyle Founder's Award in 2012, and in 2015 he was inducted into the Canadian Petroleum Hall of Fame. In May 2017, Mr. Riddell was inducted into the Canadian Business Hall of Fame.

2017 AGM Voting Results:	Votes For	84,540,337 (99.24%)
	Votes Withheld	650,297 (0.76%)

Paramount Board / Committee Participation	**2017 Meeting Attendance**
Board of Directors	8/8 (100%)

Paramount Holdings
Common Shares: 59,376,166(2)

Options: 566,728

Minimum Share Ownership(3): Attained

Other Public Board Directorships**
Perpetual Energy Inc.

** Perpetual was spun-out from Paramount.

Cavalier Energy Inc. Holdings*
Options: 400,000

* Cavalier Energy Inc. is a private wholly-owned subsidiary of the Corporation.

James Riddell[(1)(4)]

Calgary, Alberta, Canada
President and Chief Executive Officer
Paramount Resources Ltd.
Non-Independent Director
Director Since: 2000
Age: 51

Mr. Riddell has been the President and Chief Executive Officer of Paramount since May 2015, and previously served as President and Chief Operating Officer since June 2002. He has been a director since 2000. From May 1991 until June 2002, he held various positions at Paramount. Mr. Riddell was a director and the CEO of Trilogy Energy Corp. prior to its merger with Paramount Resources Ltd. on September 12, 2017. Mr. Riddell is also a director of Strategic Oil & Gas Ltd. (a public oil and gas exploration and production company) and Big Rock Brewery Inc. (a public company which produces and markets beer).

Mr. Riddell graduated from Arizona State University with a Bachelor of Science degree in Geology and from the University of Alberta with a Master of Science degree in Geology. He is currently a member of the Canadian Society of Petroleum Geologists and the American Association of Petroleum Geologists.

2017 AGM Voting Results:	Votes For	84,133,157 (98.76%)
	Votes Withheld	1,057,477 (1.24%)

Paramount Board / Committee Participation	**2017 Meeting Attendance**
Board of Directors	8/8 (100%)
Environmental, Health and Safety Committee	2/2 (100%)

Paramount Holdings	**Other Public Board Directorships****
Common Shares: 1,269,983	Big Rock Brewery Inc.
Options: 781,119	Strategic Oil & Gas Ltd.
Minimum Share Ownership[(3)]: Attained	

Cavalier Energy Inc. Holdings*
Options: 500,000

* Cavalier Energy Inc. is a private wholly-owned subsidiary of the Corporation

** Paramount sold assets to Strategic Oil & Gas Ltd. in exchange for shares and, as a result, also holds a significant equity interest.

James Bell

Calgary, Alberta, Canada
Chief Operating Officer
Founders Advantage Capital Corp.
Independent Director[(5)]
Director Since: 2011
Age: 43

Mr. Bell has been a director of Paramount since November 2011. Mr. Bell is currently Chief Operating Officer and General Counsel for Founders Advantage Capital Corp. Prior thereto, Mr. Bell was General Counsel for Olympia Financial Group Inc. (a TSX listed company) and its wholly-owned subsidiary Olympia Trust Company (a non-deposit taking trust company), and had practiced securities and corporate commercial law as a partner at an international law firm until December 31, 2009.

Mr. Bell graduated from the University of Saskatchewan with a Bachelor of Laws degree in 1999. He completed the Canadian Securities Course in January 2014 and the Partners, Directors and Senior Officers course in February 2014.

2017 AGM Voting Results:	Votes For	84,932,057 (99.70%)
	Votes Withheld	258,577 (0.30%)

Paramount Board / Committee Participation	**2017 Meeting Attendance**
Board of Directors	8/8 (100%)
Audit Committee	6/6 (100%)
Corporate Governance Committee	2/2 (100%)
Compensation Committee (Chair)	2/2 (100%)

Paramount Holdings	**Other Public Board Directorships**
Common Shares: 9,525	Founders Advantage Capital Corp.
Options: 45,000	
Minimum Share Ownership[(3)]: Attained	

Wilfred Gobert

Calgary, Alberta, Canada
Independent Businessman
Independent Director(5)
Director Since: 2017
Age: 69

Mr. Gobert has been a director of Paramount since 2017. Mr. Gobert is an independent businessman. Until his retirement in 2006, he was Vice-Chair of Peters & Co. Limited (an investment firm specializing in the Canadian oil and gas industry), a position he held since 2002, and was a member of its board of directors and its executive committee. Prior thereto, he joined Peters & Co. Limited in 1979 as Managing Director, Research. Throughout his career at the firm, his responsibilities included research analysis of integrated oil companies and oil and gas producers.

Mr. Gobert serves on the board of directors of Canadian Natural Resources Limited (a public oil and gas exploration and production company), Gluskin Sheff + Associates Ltd. (a Canadian independent wealth management firm), and a private oilfield services company. He is Senior Fellow, Energy Studies, Centre for Energy Policy Studies with The Fraser Institute.

Mr. Gobert holds a Master of Business Administration (Finance) from McMaster University (1976), a Bachelor of Science degree (Mathematics) from the University of Windsor, Ontario (1971) and a Chartered Financial Analyst ("CFA") designation.

2017 Special Meeting Voting Results:	Votes For	90,529,996 (99.97%)
	Votes Withheld	27,287 (0.03%)

Paramount Board / Committee Participation	**2017 Meeting Attendance** (since elected on September 8, 2017)
Board of Directors	2/2 (100%)
Compensation Committee	2/2 (100%)
Corporate Governance Committee	1/1 (100%)
Reserves Committee	1/1 (100%)

Paramount Holdings	**Other Public Board Directorships**
Common Shares: 21,038	Canadian Natural Resources Limited
Options: 28,200	Gluskin Sheff + Associates Ltd.
Minimum Share Ownership(3): Attained	

John Gorman

Calgary, Alberta, Canada
Independent Businessman
Independent and Lead Director(5)
Director Since: 2002
Age: 72

Mr. Gorman has been a director of Paramount since 2002 and is currently the Lead Director. He was the President and CEO of an energy trading, marketing and financial services company from 1996 to 2000 and a corporate banker with the Bank of Montreal (a Canadian chartered bank) from 1972 to 1996, retiring as Senior Vice President, Natural Resources Group.

Mr. Gorman obtained a Bachelor of Arts degree from the University of Ottawa and a Master of Business Administration degree from the University of Western Ontario.

2017 AGM Voting Results:	Votes For	84,408,498 (99.08%)
	Votes Withheld	782,136 (0.92%)

Paramount Board / Committee Participation	**2017 Meeting Attendance**
Board of Directors	8/8 (100%)
Audit Committee (Chair)	6/6 (100%)
Corporate Governance Committee	2/2 (100%)
Reserves Committee	1/1 (100%)

Paramount Holdings	**Other Public Board Directorships**
Common Shares: 12,336	None
Options: 45,000	
Minimum Share Ownership(3): Attained	

Dirk Jungé

Bryn Athyn, Pennsylvania, U.S.A.
Chairman
Pitcairn Trust Company
Independent Director(5)
Director Since: 2000
Age: 69

Mr. Jungé has been a director of Paramount since 2000. He has been the Chairman of the Board of the Pitcairn Trust Company (a private trust company) since 1991 and its CEO from 1993 to 1996 and from 2006 to 2012. He served as President of Pitcairn Trust Company from 2006 to 2008. Mr. Jungé also holds a number of director and trustee positions with philanthropic organizations.

Mr. Jungé obtained a Bachelor of Science degree in Economics and Finance from Lehigh University, was designated a Chartered Financial Analyst by the Institute of Chartered Financial Analysts in 1978 and is a member of the Financial Planning Association, the Association for Investment Management and Research, and the National Association of Corporate Directors.

2017 AGM Voting Results:	Votes For	84,412,126 (99.09%)
	Votes Withheld	778,508 (0.91%)

Paramount Board / Committee Participation	**2017 Meeting Attendance**
Board of Directors	8/8 (100%)
Corporate Governance Committee	2/2 (100%)
Environmental Health & Safety Committee (Chair)	2/2 (100%)

Paramount Holdings	**Other Public Board Directorships**
Common Shares: 34,123(6)	L.B. Foster Co.
Options: 33,000	
Minimum Share Ownership(3): Attained	

Robert MacDonald

Calgary, Alberta, Canada
Independent Businessman
Independent Director(5)
Director Since: 2017
Age: 72

Mr. MacDonald has been a director of Paramount since 2017. He is an oil and gas banking professional with 14 years of experience as a corporate director and 27 years of experience as a senior officer of several Canadian chartered banks, including 18 years in Alberta and nine years in the United States. He has expertise in oil and gas banking/financing, having handled and provided advisory services on strategic alternatives for senior and bridge debt structuring, project financing, mezzanine debt structuring, portfolio management, credit risk management, financial analysis and loan re-structuring. From 1998 to 2003, he was Director, Oil & Gas, and Commercial Banking with CIBC World Markets Inc. (a global investment banking firm). From 1993 to 1998, Mr. MacDonald was Vice President, Oil & Gas Group with CIBC.

Mr. MacDonald graduated from the University of Saskatchewan (Regina Campus) with a Bachelor of Business Administration degree (major in Economics and Finance and minor in Accounting). He is a Fellow of the Institute of Canadian Bankers and has completed the academic requirements for the Director Education Program of the Institute of Corporate Directors.

2017 Special Meeting Voting Results:	Votes For	90,506,933 (99.94%)
	Votes Withheld	50,350 (0.06%)

Paramount Board / Committee Participation	**2017 Meeting Attendance** (since elected on September 8, 2017)
Board of Directors	2/2 (100%)
Audit Committee	2/2 (100%)
Corporate Governance Committee	1/1 (100%)

Paramount Holdings	**Other Public Board Directorships**
Common Shares: 12,498	None
Options: 28,200	
Minimum Share Ownership(3): Attained	

Keith MacLeod[7]

Calgary, Alberta, Canada
Independent Businessman
Independent Director[5]
Director Since: 2017
Age: 59

Mr. MacLeod has been a director of Paramount since 2017. He is a professional engineer with more than 30 years' experience in the oil and gas industry in Alberta. Until June 2014, he was a director, partner and CEO of Sproule (a worldwide petroleum consulting firm), which he first joined in 1979. Mr. MacLeod has expertise in the areas of reservoir engineering, property and corporate reserves/resource evaluations, acquisitions and divestitures, NI 51-101 and SEC oil and gas disclosure regulations, arbitration, litigation, and investment advice. He has lectured at the University of Calgary and to the petroleum industry.

Mr. MacLeod received a B.S. (Honours) in Mining Engineering in 1984 from the Montana College of Mineral Science and Technology (Butte, Montana) and had previously received a diploma in Technology in Mineral Science in 1978 from the College of Cape Breton (Sydney, Nova Scotia). He has also completed the Director Education Program of the Institute of Corporate Directors.

Mr. MacLeod is also a member of the Association of Professional Engineers and Geoscientists of Alberta, the Society of Petroleum Evaluation Engineers and the Society of Petroleum Engineers and has participated in numerous committees of those organizations. He is also Chair of the Advisory Board of Vershuren Centre for Sustainability in Energy and the Environment, a Canadian research centre at Cape Breton University in Sydney, Nova Scotia.

2017 Special Meeting Voting Results:	Votes For	90,529,980 (99.97%)
	Votes Withheld	27,303 (0.03%)

Paramount Board / Committee Participation	**2017 Meeting Attendance** (since elected on September 8, 2017)
Board of Directors	2/2 (100%)
Corporate Governance Committee	1/1 (100%)
Environmental, Health and Safety Committee	1/1 (100%)
Reserves Committee (chair)	1/1 (100%)

Paramount Holdings	**Other Public Board Directorships**
Common Shares: 3,200	None
Options: 28,200	
Minimum Share Ownership[3]: Attained	

Susan Riddell Rose[1]

Calgary, Alberta, Canada
President and CEO
Perpetual Energy Inc.
Non-independent Director
Director Since: 2000
Age: 53

Ms. Riddell Rose has been a director of Paramount since 2000. Since 2002 she has been a director and President and since 2005 the CEO of Perpetual Energy Inc. (a public oil and gas exploration and development company) and its predecessor, Paramount Energy Trust. Prior thereto, Ms. Riddell Rose was a geological engineer and Corporate Operating Officer of Paramount and prior to that, a geological engineer with Shell Canada Limited. Ms. Riddell Rose is also a director of Newalta Corporation (a public industrial waste management and environmental services company) and a member of the Board of Directors of Altalink LP, a private corporation.

Ms. Riddell Rose graduated from Queen's University with a Bachelor of Science degree in Geological Engineering. Ms. Riddell Rose is a member of the Association of Professional Engineers and Geoscientists of Alberta, the Canadian Society of Petroleum Geologists, and the American Association of Petroleum Geologists, and a governor of the Canadian Association of Petroleum Producers.

2017 AGM Voting Results:	Votes For	83,827,936 (98.40%)
	Votes Withheld	1,362,698 (1.60%)

Paramount Board / Committee Participation	**2017 Meeting Attendance**
Board of Directors	8/8 (100%)

Paramount Holdings	**Other Public Board Directorships**
Common Shares: 381,338	Altalink LP
Options: 45,000	Newalta Corporation
Minimum Share Ownership: Attained	Perpetual Energy Inc.

John Roy[(1)]

Calgary, Alberta, Canada
Independent Businessman
Independent Director[(5)]
Director Since: 1981
Age: 77

Mr. Roy has been a director of Paramount since 1981. He is an independent businessman. Prior to December 1, 2003, he served as the Vice-President and Director of a private investment banking firm. From 1970 to 1996, he held various positions also at a private investment banking firm.

Mr. Roy graduated from Queen's University with a Bachelor of Science degree in Mechanical Engineering and received a Diploma in Management from McGill University. He is a member of the Association of Professional Engineers and Geoscientists of Alberta. Mr. Roy has his P.Eng. designation and is also a fellow of the Canadian Securities Institute.

2017 AGM Voting Results:	Votes For	84,407,440 (99.08%)
	Votes Withheld	783,194 (0.92%)

Paramount Board / Committee Participation	**2017 Meeting Attendance**
Board of Directors	8/8 (100%)
Audit Committee	6/6 (100%)
Corporate Governance Committee (Chair)	2/2 (100%)
Compensation Committee	2/2 (100%)
Environmental Health & Safety Committee (ceased being a member on September 14, 2017)	1/1 (100%)

Paramount Holdings	**Other Public Board Directorships**
Common Shares: 53,361	None
Options: 45,000	
Minimum Share Ownership[(3)]: Attained	

Notes:

(1) From 1992 to 2008, Paramount was the general partner of T.T.Y. Paramount Partnership No. 5 ("TTY"), a limited partnership, which was an unlisted reporting issuer in certain provinces of Canada. TTY was established in 1980 to conduct oil and gas exploration and development activities but had not carried on active operations since 1984 and had only nominal assets. A cease trade order against TTY was issued by the Quebec Securities Commission in 1999 for failing to file the June 30, 1998 interim financial statements in Quebec. The cease trade order was revoked on April 9, 2008. TTY was dissolved on July 21, 2008.

(2) Mr. Clayton Riddell's holdings are owned or controlled by him, directly or indirectly, through a number of entities.

(3) The Corporation adopted a share ownership policy in March 2013 requiring each of its directors to acquire, within three years of: (i) the date they become a director; or (ii) the date of the share ownership policy (whichever is later), Common Shares having a value equal to at least three times their annual base retainer, and to continue to hold these Common Shares during their tenure.

(4) Mr. James Riddell was a director of Sonde Resources Corp. ("Sonde") and Great Prairie Energy Services Inc. ("Great Prairie"), both public oil and gas companies, within one year of Sonde becoming bankrupt and Great Prairie having a receiver-manager appointed to manage its assets, undertakings and properties.

(5) Independence is based on the definitions contained in National Instrument 52-110, National Instrument 58-101 and National Policy 58-201. Each year and upon appointment all independent directors complete an independence questionnaire to assess, or re-assess, their status as independent directors.

(6) Mr. Jungé exercises direction and control over 34,123 Common Shares the majority of which are held by trusts of which he and his family members are beneficiaries. 7,797 of such Common Shares are beneficially owned, directly or indirectly, by Mr. Jungé.

(7) Mr. MacLeod was a director of Manitok Energy Inc. ("Manitok"), a public oil and gas company, within one year of Manitok filing a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act* (Canada).

The information as to Common Shares owned directly or indirectly by each director nominee, not being within the knowledge of the Corporation, has been furnished by the nominees.

Independence of Director Nominees

Of the ten director nominees, seven are independent. All members of the Audit Committee, Corporate Governance Committee and Compensation Committee are independent.

Director Nominee	Independent	Non-Independent	Reason for Non-Independence
Clayton Riddell		✓	Also the Executive Chairman of the Corporation
James Riddell		✓	Also the President & CEO of the Corporation
James Bell	✓		
Wilf Gobert	✓		
John Gorman	✓		
Dirk Jungé	✓		
Robert MacDonald	✓		
Keith MacLeod	✓		
Susan Riddell Rose		✓	Familial relationship with Executive Chairman and President & CEO of the Corporation
John Roy	✓		

Mr. John Gorman, an independent director, is the Board's Lead Director. His duties include, among other things, ensuring that differences between the responsibilities of the Board and management are understood by all, ensuring that independent directors have adequate opportunities to meet to discuss issues without management present, and acting as a liaison between the independent directors and management.

The Board has a policy requiring that an *in-camera* meeting of independent directors be held in connection with all Board and committee meetings.

Competency Matrix for Director Nominees

The Board, through the Corporate Governance Committee, has developed a competency matrix to ensure that the members of the Board, through their knowledge, business expertise and experience, meet the needs of the Board. The following table sets out some of the relevant knowledge, expertise and experience of the director nominees:

	Clayton Riddell	James Riddell	James Bell	Wilfred Gobert	John Gorman	Dirk Jungé	Robert MacDonald	Keith MacLeod	Susan Riddell Rose	John Roy
Board Experience	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
CEO Experience	✓	✓			✓	✓		✓	✓	
Strategic Planning	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Operations	✓	✓		✓		✓			✓	
Project Management	✓	✓		✓	✓	✓	✓	✓	✓	✓
Governance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Accounting/ Finance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Executive Compensation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Government/ Public Policy	✓	✓	✓	✓				✓	✓	
Human Resources	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Legal			✓						✓	

Board Interlocks

The following table sets out interlocking board memberships of the Corporation's directors. Paramount spun-out the predecessor to Perpetual Energy Inc. in 2003.

Company	Director	Committee Membership
Perpetual Energy Inc.	Clayton Riddell Susan Riddell Rose	None Environmental, Health & Safety Committee

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

Paramount's compensation philosophy is to be competitive with other Canadian oil and gas companies of similar size in order to attract, retain and motivate a highly-qualified workforce and provide career opportunities within Paramount. The compensation program for Paramount's named executive officers ("NEOs"), being the Corporation's Executive Chairman, President and Chief Executive Officer, Chief Financial Officer and next two highest paid executive officers, is built around base salaries and reward systems that recognize Paramount's financial and operational results and individual performance. This program is also designed to ensure that the interests of Paramount's executives are aligned with its Shareholders by making a majority of the compensation paid to the NEOs incentive-based, "at risk" pay. There are three primary components to Paramount's compensation program: base salary, cash bonuses and restricted share unit ("RSU") awards, under the Corporation's Cash Bonus and Restricted Share Unit Plan, and stock option grants under the Corporation's Stock Option Plan.

For the year ended December 31, 2017 Paramount's NEOs and their titles were:

Clayton Riddell, Executive Chairman
James Riddell, President and Chief Executive Officer ("CEO")
Bernard Lee, Executive Vice President, Finance and Chief Financial Officer
Mitchell Shier, General Counsel and Corporate Secretary
John Williams, Executive Vice President, Kaybob

Corporate Performance and Compensation Decisions

As a result of two major transactions that Paramount completed in 2016 (the sale of its Musreau deep cut gas processing plant and the sale of its Musreau/Kakwa oil and gas assets) Paramount entered 2017 with over $600 million in cash, no debt and an undrawn credit facility with which to execute its renewed growth plans.

2017 was a year of continued achievements and successes for Paramount. During the first half of the year, Paramount focused its activities on its 27 (27 net) well horizontal Montney drilling program at its Karr-Gold Creek property in the Grande Prairie area of Alberta. Utilizing the Corporation's refined drilling and completion techniques, the wells in this drilling program were designed with longer horizontal laterals, higher intensity completions, tighter frack spacing, and different completion fluids compared to prior years. By the end of October 2017, 26 of the 27 wells were on production and delivered average sales volumes of approximately 26,600 Boe/d for the month of October (peaking at over 30,000 Boe/d during the month), with approximately 52% of this production being comprised of condensate and other NGLs. With the success of this drilling program, Paramount was able to grow the production from the legacy assets it retained after the Musreau/Kakwa sale from their post-sale level of approximately 11,000 Boe/d to approximately 37,000 Boe/d, tripling production (and effectively replacing all of the production disposed of in the $2.1 billion Musreau/Kakwa sale) in a period of 14 months.

In the first half of 2017 Paramount also sold non-core assets at Valhalla for cash consideration of approximately $150 million and expanded its 6-18 natural gas processing facilities at Karr Gold-Creek from 40 MMcf/d to 80 MMcf/d.

In the third quarter of 2017, the Corporation completed two transformational transactions – the acquisition of Apache Canada Ltd. ("ACL") and the merger with Trilogy Energy Corp. ("Trilogy"). These two transactions, combined with the successful development program executed by the Corporation on its legacy properties, transformed Paramount from a 11,000 Boe/d producer in 2016 with approximately 1.2 million net acres of land and proved plus probable reserves having a net present value of approximately $800 million as of December 31, 2016, to a company with production of over 95,000 Boe/d in the fourth quarter of 2017, and a land position of over 3.1 million net acres and proved plus probable reserves having a net present value of approximately $4.4 billion as at December 31, 2017. Total shareholder return ("TSR") was 28% from the end of 2016 to September 12, 2017 (the date the Trilogy merger closed), but retreated somewhat during the final few months of 2017 along with the shares of other Canadian energy producers. Nonetheless, Paramount's full year TSR was still 15% as compared to the one-year average TSR of Paramount's peers of -39%. In addition, Paramount's two-year TSR at the end of fiscal 2017 was 237% compared to the two-year average TSR of its peers of 16%.

Paramount closed the ACL acquisition in August 2017, purchasing all of the shares of ACL for cash consideration of $486.9 million. With this acquisition, Paramount added significant additional high quality Montney and Duvernay lands to its Alberta Deep Basin portfolio, including a turn-key Montney resource play at Wapiti (immediately northwest of Paramount's Karr-Gold Creek lands) with approximately 46,000 net acres of Montney rights. The Wapiti play includes a processing arrangement that will provide Paramount with priority access to a 150 MMcf/d gas processing plant that is being constructed by a midstream company. The ACL acquisition also provides Paramount with a lower decline asset base in Central Alberta with exposure to the East Shale Basin Duvernay, Ellerslie, Glauconite and Cardium plays, and approximately 176,000 acres of fee simple lands in Central Alberta.

The Trilogy merger was completed in September 2017. On closing, Paramount issued approximately 28.5 million Common Shares to acquire all of the outstanding Trilogy shares that it did not already own. Trilogy's assets also include premium Montney and Duvernay resource plays in the Alberta Deep Basin at Kaybob, including a 32,000 net-acre Montney oil project, a Montney gas development at Presley (with approximately 38,000 net acres of Montney rights), as well as 118,000 net acres of Duvernay rights. Trilogy's Duvernay development at Smoky is immediately adjacent to a significant portion of the Duvernay rights the Corporation acquired through its acquisition of ACL.

Together the ACL acquisition and the Trilogy merger added approximately 441 MMboe of proved plus probable reserves (as independently evaluated as of December 31, 2017), significant infrastructure and over 2.0 million net acres of land.

Following the completion of these two transactions, Paramount's credit facility was increased from $300 million to $700 million and was changed from a reserves-based to a financial covenant-based structure. In addition, the term of the credit facility was changed from a "one plus one" extendible facility to a "four year" extendible facility. At the Corporation's request, the size of the credit facility may be increased by up to a further $300 million pursuant to an accordion feature in the facility.

In recognition of another year of outstanding results delivered by the CEO and the rest of Paramount's NEOs the Compensation Committee awarded Paramount's NEOs with:

- cash bonuses;
- RSU awards; and
- stock options.

Paramount's Compensation Committee believes that the compensation paid to Paramount's CEO and other NEOs in 2017 reflects the "at risk" nature of the Corporation's compensation structure, and the resulting alignment that exists between Paramount's management and its Shareholders. The Compensation Committee further believes that the NEOs' compensation in 2017 was appropriate having regard to the NEOs' extraordinary efforts and the very strong results they continued to achieve for the Corporation and its Shareholders.

Key Features of Paramount's Compensation Program

The following list highlights some of the key features of Paramount's compensation program that seek to ensure that the actions of Paramount's executives are aligned with the interests of its Shareholders. These features are described in more detail elsewhere in this *"Compensation Discussion and Analysis"* or in other sections of this Information Circular:

- Compensation is performance-based with an emphasis on longer-term incentive awards. Approximately 90% of the CEO's and 84% of the Executive Chairman's 2017 compensation was variable or "at risk" (with the variable or "at risk" portion of compensation for the three other NEOs at year end ranging from approximately 52% to 70% of their total compensation).
- Stock options generally (i) vest over five years (with the first vesting generally only occurring in the year following the grant date) and expire six months after the final vesting; (ii) do not automatically vest upon a change of control; and (iii) cannot be re-priced without first obtaining the approval of the Shareholders (which has never been sought).
- Paramount's new Cash Bonus and RSU Plan has reasonable target levels with grants tied to performance goals (individual and departmental or corporate) and the cash component of the awards is targeted to be 1/3 of the total award with the RSU component, targeted to be 2/3, vesting over two years.
- Paramount does not award any large perquisites, and does not have any pension plans or other post-retirement obligations.
- A policy is in place prohibiting the hedging of Paramount's securities by officers and directors.
- No loans can be made to Paramount's executives for any purpose (including the purchase of Paramount's securities).
- Paramount's compensation program is regularly reviewed by Paramount's Compensation Committee (which is comprised exclusively of independent directors) to ensure it is competitive and consistent with the executive compensation programs of Paramount's peer group and does not encourage excessive risk taking by the NEOs.

The alignment of interests between Paramount's executives and its Shareholders is further strengthened by the fact that Paramount's Executive Chairman and CEO collectively own or control, directly or indirectly, approximately 45% of Paramount's Common Shares.

Components of Paramount’s Compensation Program

In determining the compensation that is to be awarded to Paramount’s NEOs, Paramount's Compensation Committee considers a range of factors including general industry and market conditions, the Corporation's TSR, the compensation practices and performance of its peer group and Paramount's corporate financial and operating results (including its progress in advancing its overall corporate strategy). The individual and departmental performance of each of the NEOs is also assessed. Specific factors that Paramount's Compensation Committee considered in determining 2017 compensation are set out in the preceding discussion and elaborated on below.

In 2017, the Compensation Committee focused on management’s continued success in improving the Corporation’s drilling, completions and other operations, growing production and controlling operating costs. The Committee also recognized the outstanding efforts and results achieved by Paramount’s management team in concluding the Apache acquisition and the Trilogy merger. These two transactions, together with the very successful Karr-Gold Creek development program, resulted in Paramount’s Q4 2017 production being over eight times greater than its production following the Musreau/Kakwa sale in 2016, and the Corporation having at December 31, 2017 a land base over 2.5 times larger, and proved plus probable reserves over 5 times greater, than they were at year end 2016. In recognizing and rewarding the NEOs’ efforts, the Compensation Committee ensured that the bulk of the NEOs’ compensation remained “at risk” and, accordingly, that the NEOs’ interests remained strongly aligned with those of Shareholders.

Base Salary

2016 and 2017 Base Salaries		
NEO	**2016 Salary**	**2017 Salary**
Clayton Riddell	$361,522	$383,562
James Riddell	$379,598	$402,741
Bernard Lee	$301,977	$320,388
Mitchell Shier	$276,458	$293,312
John Williams[(1)]	n/a	$97,289 ($333,564 annualized)

Note:

(1) Mr. Williams became an executive officer of Paramount on September 14, 2017 following Paramount’s merger with Trilogy. His base salary shown reflects the actual amount paid for the period from September 14, 2017 to the end of fiscal 2017 along with his annualized salary for fiscal 2017.

The objective of a NEO’s base salary is to provide a fixed level of cash compensation for performing day-to-day responsibilities. It is designed to reward executives for providing the services within their job description in a competent, professional manner. Paramount strives to pay base salaries that are competitive with its peer group and the Canadian oil and gas industry generally as salary is believed to be an important factor in attracting and retaining high-caliber people capable of achieving the Corporation’s business objectives. The base salaries for Paramount’s NEOs increased by approximately 6% in fiscal 2017 over fiscal 2016. This was due to the fact that in 2017 the Corporation did not continue the program that was put in place in 2015 and 2016 that required all office staff to take unpaid Fridays off during the summer months. The NEO’s base salaries for 2017 were still 5% or more less than their levels in 2014 prior to the Corporation’s imposition of salary cuts to deal with the prolonged period of commodity price weakness that commenced in the latter part of 2014.

Cash Bonus and RSU Plan

Following Paramount’s acquisition of ACL and merger with Trilogy, the Corporation implemented a new Cash Bonus and Restricted Share Unit Plan (“CBRSUP”) to replace its Stock Incentive Plan (“SIP”). The CBRSUP is very similar to the former SIP except that it also provides for the grant of annual cash bonuses. Paramount implemented the CBRSUP to remain competitive with its new, larger compensation peer group, as the majority of the companies in this peer group have annual cash bonus programs in addition to RSU plans. Prior to the establishment of the CBRSUP, Paramount only awarded cash bonuses on an extraordinary basis in those years where it was felt they were warranted as a result of exceptional individual or corporate achievements.

Awards under the CBRSUP are typically comprised of a cash bonus component and a restricted stock unit (“RSU”) component, with the weighting targeted at 1/3 and 2/3, respectively. This weighting places twice as much emphasis on the share component of the award to focus NEOs on, and incentivize them to pursue, long-term versus short-term corporate growth and performance. The RSUs typically vest 1/2 at the one-year anniversary of the award and the final 1/2 at the two-year anniversary of the award, (so long as the employee remains employed with the Corporation on the applicable vesting date). However, RSU grants to the Executive Chairman and CEO vest immediately for reasons discussed below.

The objective of the CBRSUP is to reward officers and employees for meeting or exceeding individual and departmental or corporate goals and targets. RSU awards are intended to encourage Paramount's officers and employees to have an ongoing investment in the Corporation's Common Shares, and are also intended to further align them with the goal of creating long-term Shareholder value. As the value of the Common Shares increases or decreases, the value of the RSUs also increases or decreases, thereby aligning the interests of Paramount's officers and employees with those of its Shareholders. Paramount believes the delayed vesting of RSU awards that are made to officers and employees who are responsible for managing the Corporation's assets and operations helps ensure that they do not undertake actions that achieve short-term results at the expense of long-term value creation for Shareholders. As both the Executive Chairman and CEO are major Shareholders, it is not necessary for there to be a delayed vesting feature in their RSU awards to ensure that their interests are aligned with Paramount's other Shareholders.

CBRSUP awards to the NEOs are approved by Paramount's Compensation Committee following consultation with Paramount's other independent directors.

The following awards were made to the NEOs under the CBRUSP in 2017:

2017 CBRSUP Awards		
NEO	**Cash Bonus ($)**	**RSUs (#)**
Clayton Riddell	nil	50,000
James Riddell	nil	100,000
Bernard Lee	64,014	5,244
Mitchell Shier	58,604	4,802
John Williams[(1)]	44,475	3,640

Note:
(1) Mr. Williams became an executive officer of Paramount on September 14, 2017 following Paramount's merger with Trilogy and received such award after that date.

The Compensation Committee felt that CBRSUP awards should be made to the NEOs and other Paramount employees in October 2017 following the establishment of the plan as no SIP awards had been previously made in April 2017 (as they typically would have been, due primarily to the fact that trading blackouts were in effect for several months during mid-2017 as a result of the ACL acquisition and Trilogy merger). Accordingly, the CBRSUP awards were to a significant degree intended to reward the NEOs for their efforts and accomplishments in 2016 which included the achievement of individual and corporate goals relating to the Corporation's operational results, TSR and the advancement of its overall strategic plan through the Musreau deep cut plant and Musreau/Kakwa asset sale transactions. Some of these corporate results and achievements for 2016 are set forth above, and are also discussed in detail in the Corporation's March 2017 Information Circular. In granting the awards under the CBRSUP, the Compensation Committee was also cognizant of the Corporation's continued success in achieving its operational and strategic goals in 2017.

It should be noted that the CBRSUP awards made to Messrs. Clay and James Riddell were comprised entirely of RSUs, thereby completely aligning their interests with Shareholder interests.

For further details on the individual, departmental and corporate goals and targets under the CBRSUP, see "Incentive Plans – Cash Bonus and RSU Plan (CBRSUP)" below.

Option Plan

Number of Stock Options Granted in 2017	
NEO	
Clayton Riddell	150,000
James Riddell	150,000
Bernard Lee	75,000
Mitchell Shier	65,000
John Williams[(1)]	65,000

Note:
(1) Mr. Williams became an executive officer of Paramount on September 14, 2017 following Paramount's merger with Trilogy and received such award after that date.

The intent of the Option Plan is to recognize the contributions of Paramount's officers and employees who are responsible for Paramount's management and growth by granting them options to acquire Common Shares, which also serves to directly align their interests with those of Paramount's Shareholders. Option grants under the Option Plan are the primary long-term compensation awarded to Paramount's executives.

NEOs are eligible for grants of options when they commence employment with Paramount and thereafter on an annual basis. Options generally vest in equal tranches each successive year over a five-year period and expire six months after their last vesting date. Paramount believes that five-year vesting schedules help ensure that Paramount's NEOs, as well as its other officers and eligible employees, all feel a responsibility to manage Paramount's assets and operations with a view to the long-term health and growth of the Corporation.

Factors that were considered in making the fiscal 2017 option awards included:

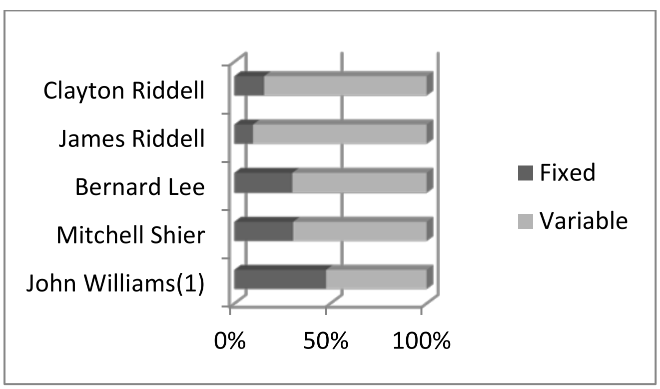
- the Corporation's very successful development program on its legacy assets which tripled the Corporation's production over a period of 14 months;
- completion of the ACL acquisition and Trilogy merger which, together with the Corporation's development program, transformed Paramount from a 11,000 Boe/d producer with approximately 1.2 million net acres of land and proved plus probable reserves having a net present value of approximately $800 million as of December 31, 2016 to a company with production in excess of 95,000 Boe/d in Q4 2017, and with approximately 3.1 million net acres of land and proved plus probable reserves having a net present value of approximately $4.4 million as of December 31, 2017;
- very strong one-year and two-year TSR versus its peers (15% versus -39% and 237% versus 16%, respectively);
- new increased credit facility providing the Corporation with significant liquidity; and
- completion of the Valhalla non-core asset sale for cash proceeds of approximately $150 million.

Extraordinary Compensation Awards

From time to time, Paramount rewards its top-performing NEOs with cash bonuses or other awards outside of the standard compensation program for making material contributions to projects and transactions that further Paramount's goal of long-term value creation for its Shareholders. Such awards are extraordinary and are not considered to be a primary component of Paramount's compensation program. In reviewing the Corporation's accomplishments during 2017 the Compensation Committee felt that extraordinary cash bonuses of $500,000 for Mr. James Riddell and $100,000 for each of Messrs. Lee and Shier were warranted to recognize their outstanding efforts in executing the ACL acquisition and Trilogy merger which transformed the Corporation. Mr. Williams was awarded a $50,000 cash bonus for his role in completing the Trilogy merger. As Mr. James Riddell did not receive a cash bonus as part of his CBRSUP award in 2017, cash bonuses for him represented less than 12% of his total compensation for 2017.

Compensation Mix

In determining compensation awards to be made to the Corporation's NEOs, consideration is given to all forms of compensation paid or payable to them so that an appropriate mix is attained between fixed and variable "at risk" pay (with the majority of such compensation intended to be incentive-based, "at risk" pay). The following graph shows the percentages of fixed and variable compensation that each of the NEOs received in 2017. It is notable that the CEO's "at risk" pay was over 90% for fiscal 2017.



Note:
(1) Based on Mr. Williams' annualized base salary for fiscal 2017.

Peer Group

Paramount competes for executive talent with a wide range of Canadian exploration and development companies, but in particular with other intermediate-sized entities. Each year Paramount's Compensation Committee conducts a review of Paramount's competitors to determine which companies it believes are most appropriate to benchmark the Corporation against for performance and compensation purposes. In 2017 the peers set forth in the table below were selected due to the significantly increased size of the Corporation in fiscal 2017 over fiscal 2016.

ARC Resources Ltd..	Baytex Energy Corp.	Birchcliff Energy Ltd.
Bonavista Energy Corp.	Crescent Point Energy Corp.	Enerplus Corp.
Peyto Exploration and Development Corp.	Seven Generations Energy Ltd.	Tourmaline Oil Corp.
Whitecap Resources Inc.		

While Bonavista Energy Corp., Peyto Exploration and Development Corp., Whitecap Resources Inc., Baytex Energy Corp. and Birchcliff Energy Ltd. remained as peers, ARC Resources Ltd., Crescent Point Energy Corp., Seven Generations Energy Ltd., Enerplus Corp. and Tourmaline Corp. were added. Advantage Oil and Gas Ltd., NuVista Energy Ltd., Crew Energy Inc., Pengrowth Energy Corp., TORC Oil and Gas Ltd. and Penn West Petroleum Ltd. were removed. Trilogy was also removed since Paramount merged with Trilogy in fiscal 2017.

The below table shows how Paramount's market capitalization and enterprise value as at December 31, 2017 compared against its peer group by percentile rank. Paramount believes that market capitalization and enterprise value are the best peer comparisons to use as they take into account each entity's market value and debt rather than just its production, reserves or revenue. In Paramount's view these latter metrics, although obviously relevant, do not adequately reflect things like differing production mixes (and resulting value differentials) or the value of non-revenue generating assets and investments (for e.g. undeveloped acreage, midstream assets, drilling rigs and shares of other entities).

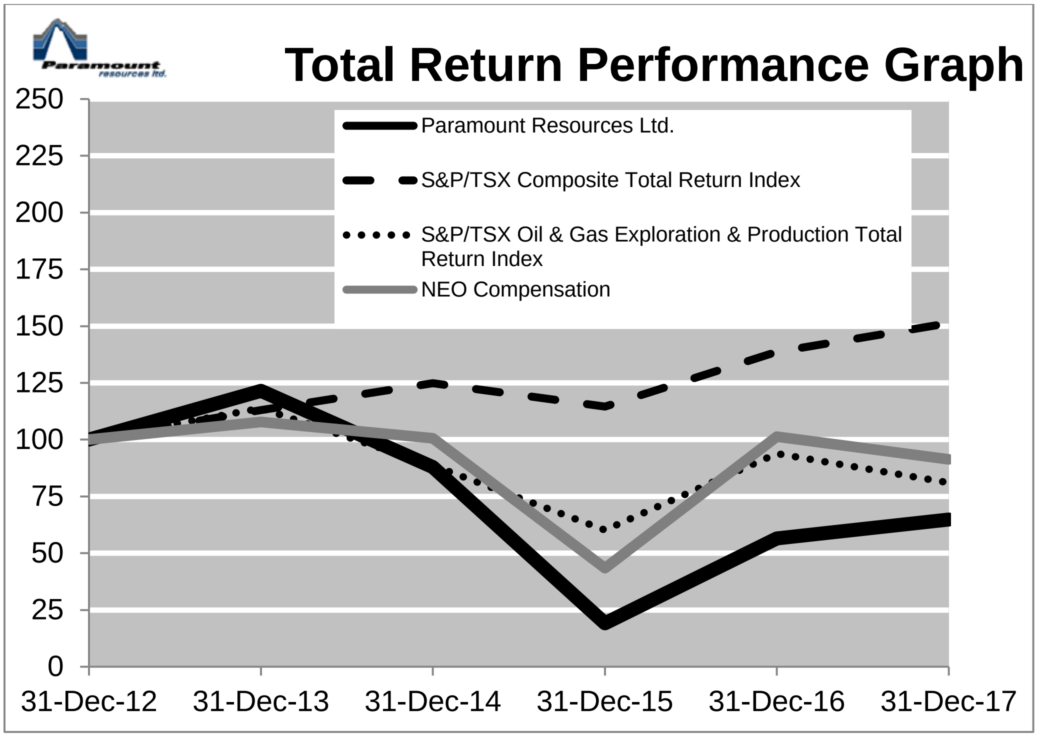
Paramount's Market Capitalization and Enterprise Value vs. Peer Group		
	December 31, 2017 Market Capitalization (Millions)	***December 31, 2017 Enterprise Value (Millions)***
Peer Group 25th Percentile	$1,099	$2,400
Peer Group Median	$3,361	$4,128
Peer Group 75th Percentile	$5,465	$7,720
Paramount	$2,623	$3,055
Percentile Rank December 2017	**39th Percentile**	**33rd Percentile**

As part of its annual process of setting executive compensation, Paramount considers the compensation paid to the NEOs of its peer group as well as a range of other factors including general trends affecting executive compensation in the Canadian oil and gas industry, the relative complexity of Paramount's business versus the peer group and the Corporation's growth prospects and performance as compared to its peers. The Corporation's 1, 3 and 5-year annual average returns compared to the peer group's average are set forth in the table below. In addition, the Corporation's 2-year annual average return compared to the peer group's average was 237% versus 16%.

Paramount's Annual Average Return vs. Peer Group Average		
	Paramount	***Peer Group***
1-Year	15%	-39%
3-Year	-10%	-16%
5-Year	-8%	-10%

Total Return Performance Graph

The following graph compares the cumulative TSR for Paramount on the TSX of $100 invested in Common Shares on December 31, 2012 with the total returns over the same five-year period of the S&P/TSX Composite Total Return Index and the S&P/TSX Oil & Gas Exploration & Production Total Index. It also shows the percentage change in the total reported compensation of Paramount's NEOs during this same five-year period.



TOTAL RETURN	31-Dec-12	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17
Paramount Resources Ltd.	100	122	88	19	56	65
S&P/TSX Composite Total Return Index	100	113	125	115	139	151
S&P/TSX Oil & Gas Exploration & Production Total Return Index	100	114	89	60	94	81
NEO Compensation	100	108	101	43	101	91

The Total Return Performance Graph and accompanying table demonstrate the alignment that has existed between Paramount's TSR and NEO compensation during the past five years. Paramount's NEO compensation has generally increased during periods when the Corporation's TSR increased and decreased in periods when Paramount's TSR decreased (but with changes in NEO compensation sometimes lagging and in other years exceeding the corresponding changes, either positive or negative, in Paramount's TSR). It is also notable that while Paramount's TSR increased from the end of fiscal 2016 to the end of fiscal 2017, total NEO compensation decreased over this period and fiscal 2017 total compensation was less than all fiscal years shown in the chart other than fiscal 2015.

Reported vs. Realizable Compensation

The following table provides further information and context in respect of the trend in Paramount's NEO compensation versus its TSR by comparing the aggregate total reported compensation of the NEOs (as set out in the Summary Compensation Table on page 25 of this Information Circular and used in the Total Return Performance Graph above) for each of 2015, 2016 and 2017 with the NEOs' realizable compensation for each of those years. The NEOs' realizable compensation in respect of these years differs from their Summary Compensation Table reported compensation in that it uses the December 31, 2017 "in-the-money" value of the stock options granted to them in 2015, 2016 and 2017 (as set out in the table on page 26 of this Information Circular) as opposed to the grant date fair value of those options (which was calculated using a Black-Scholes model) and the December 31, 2017 value of RSUs granted versus their value on the date they were granted. The reason the NEOs' realizable compensation for 2016 exceed their reported compensation for that year is because the realizable value of the options granted to Paramount's NEOs in March 2016 has increased significantly above their 2016 reported value as Paramount's share price increased 237% from the beginning of 2016 to the end of 2017. It should be noted, however, that 40% of these options remain unvested, and will only vest over the next year and a half.

	2017		2016		2015	
Compensation Type	**Reported**	**Realizable**	**Reported**	**Realizable**	**Reported**	**Realizable**
Options	3,272,400	nil	7,562,820	12,201,225	3,284,346	nil
RSU awards	4,000,322	3,178,782	nil	nil	nil	nil
Base Pay	1,497,292	1,497,292	1,583,253	1,583,253	1,263,582	1,263,582
Cash Bonuses	917,093	917,093	1,600,000	1,600,000	nil	nil
All Other Compensation	74,865	74,865	79,163	79,163	89,487	89,487
Total	9,761,972	5,858,100	10,825,236	15,463,641	4,637,415	1,353,069

Compensation Governance

The Compensation Committee Charter sets out the Compensation Committee's composition, procedure and organization as well as its primary duties and responsibilities, some of which are as follows:

a) to recommend to the Board compensation policies and general human resources policies and guidelines concerning employee compensation and benefits;
b) to ensure that the Corporation has in place programs to attract and develop management of the highest caliber and a process to provide for the orderly succession of management;
c) to consider and, after reasonable consultation by the Chair of the Committee with all other independent directors of the Corporation, approve the annual salary, bonus and other benefits, direct and indirect, of the Executive Chairman and CEO and to approve compensation for all other designated officers of the Corporation (in the latter case after considering the recommendations of the Executive Chairman and CEO), all in accordance with the Corporation's compensation policies and general human resources policies and guidelines concerning employee compensation and benefits, and with such compensation to realistically reflect the responsibilities and risks of such positions;
d) to implement and administer compensation policies and general human resources policies and guidelines relating to employee compensation and benefits relating to the following:
    i. executive compensation, contracts, stock plans or other incentive plans; and
    ii. proposed personnel changes involving officers reporting to the CEO;
e) from time to time, to review the Corporation's broad policies and programs in relation to benefits;
f) to annually receive from the CEO recommendations concerning annual compensation policies and budgets for all employees;
g) from time to time, to review with the CEO the Corporation's broad policies on compensation for all employees and overall labour relations strategy for employees; and
h) to report regularly to the Board on all of the Committee's activities and findings during that year.

The Compensation Committee is composed of the following directors: Mr. John Roy, Mr. James Bell and Mr. Wilfred Gobert. Messrs. Roy, Bell and Gobert are all independent directors. Messrs. Roy and Gobert have extensive managerial and executive experience dealing with employee performance and compensation (see the brief biography for each member below). Each of Messrs. Roy and Gobert has worked in excess of 25 years in the oil and gas industry or in related businesses, in a number of different roles and has extensive knowledge of relevant compensation industry practices and trends. Mr. Bell has been involved in the negotiation and preparation of various executive compensation packages in his roles as General Counsel for his current and former employer, and in his previous role as a private practitioner Mr. Bell advised numerous clients with respect to executive compensation matters. When making decisions with respect to compensation, the Committee also has the benefit of information obtained from the Mercer Survey and Paramount's Human Resources department. Given their wealth of experience and the resources available to them, the members of the Compensation Committee are well positioned to make decisions with respect to Paramount's compensation policies and practices.

John Roy
Mr. Roy was the Vice-President and Director, Investment Banking of Jennings Capital Inc. (a private investment banking firm), from 1997 to 2003, and prior to that he held various positions at Greenshields Incorporated and its successor, Richardson Greenshields of Canada Ltd. (a private investment banking firm). At Jennings Capital Inc., Mr. Roy was responsible for designing a compensation policy for all professional employees. In his various roles at Greenshields Incorporated and its successor, Richardson Greenshields of Canada Ltd., Mr. Roy was responsible for compensation matters for employees under his supervision. Mr. Roy graduated from Queen's University with a Bachelor of Science degree in Mechanical Engineering and received a Diploma in Management from McGill University.

James Bell
Mr. Bell is currently Chief Operating Officer and General Counsel for Founders Advantage Capital Corp., a public investment company listed on the TSXV. From 2010 to 2016, Mr. Bell was General Counsel for Olympia Financial Group Inc. (a TSX listed company) and its wholly-owned subsidiary Olympia Trust Company (a non-deposit taking trust company). Prior thereto, Mr. Bell practiced securities and corporate commercial law as a partner at an international law firm until December 31, 2009. Mr. Bell has been involved in the negotiation and preparation of various executive compensation packages for both his current and former employers and has worked closely with the compensation committee at both entities as well. Further, Mr. Bell has experience with compensation principles and assessing risk factors relating to executive compensation. Further, in his role as a private practitioner, Mr. Bell advised numerous clients with respect to executive compensation matters.

Wilfred Gobert
Mr. Gobert has been involved in the oil and gas industry in Calgary since 1976, working with Peters & Co. Limited since 1979. When he retired from Peters & Co. Limited in 2006, Mr. Gobert was its Vice Chairman and through this role had significant involvement in compensation programs and practices for staff and executives. In addition to his B.Sc. (Honours) in Mathematics, Mr. Gobert received his Masters' in Business Administration (MBA) with a major in Finance, and holds a CFA designation. He is also a member of the compensation committee of Canadian Natural Resources Limited (a major Canadian oil and gas producer listed on both the TSX and the NYSE).

Risk Oversight in Relation to Compensation Policies and Practices

The Compensation Committee has discussed and assessed the risks related to Paramount's compensation policies and practices and is of the view that, when considered in their totality, Paramount's compensation policies and practices do not incentivize excessive risk taking.

Base Salary
Paramount's Compensation Committee has determined that Paramount's salary program does not encourage NEOs to take inappropriate or excessive risks for the following reasons:

- Base salaries provide a steady income regardless of share price performance. This allows executives and employees to focus on both Paramount's near-term business plans and long-term goals and objectives without undue reliance on share price performance or short-term market fluctuations.
- Base salaries are competitive to attract high performing employees but are not excessive.
- Increases to base salaries are generally moderate.
- Severance is based on common law principles and there are no excessive severance or change of control arrangements in place. Accordingly, management is focused on long-term value creation versus short-term growth with a view to a corporate sale that would trigger payout arrangements.

Cash Bonus and Restricted Share Unit (CBRSU) Awards
The Compensation Committee believes that the CBRSU awards do not encourage inappropriate or excessive risk taking for the following reasons:

- Paramount's CBRSU awards are variable at-risk components of compensation. The RSU component, which is typically 2/3, encourages an ownership mentality among all recipients.
- The RSUs' delayed vesting provisions (two tranches over two years), encourage a focus on long-term value creation. These delayed vesting provisions apply to all eligible employees other than the Executive Chairman and CEO (who are excluded because of their significant equity positions in Paramount, which achieves the same result).

Stock Option Grants
Paramount's Compensation Committee believes the Option Plan does not encourage excessive risk taking for the reasons set out below:

- The quantum of an option grant is tied to past performance as well as perceived future value to Paramount. Grants of options generally vest over five years with the first tranche vesting only after the first year. This motivates the achievement of long-term sustainable objectives and aligns recipients' interests with Shareholders.
- Paramount generally does not award off-cycle grants of options except in the case of new employees.

- There is no automatic vesting upon a change of control and, with limited exceptions, upon resignation or termination all unvested options terminate.

Extraordinary Compensation Awards
The Compensation Committee has concluded that Paramount's extraordinary compensation awards will not encourage excessive risk taking by NEOs for the reasons below:

- The extraordinary compensation awards reward exceptional results that have a long-term positive impact on Paramount. They are linked to strategic achievements and the successful completion of major projects and transactions that will have a meaningful impact on Paramount's goal of long-term value creation.
- They are awarded infrequently.

Anti-Hedging Policy

The Corporation has a policy prohibiting its directors and officers from purchasing financial instruments including put and call options, prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity securities granted as compensation to them or held or controlled, directly or indirectly, by them.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides a summary of compensation earned in 2015, 2016 and 2017 by Paramount's NEOs.

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Share-based awards[1] ($) (d)	Option-based awards[2] ($) (e)	Non-equity incentive plan compensation[3] ($) (f)	All other compensation[4] ($) (h)	Total compensation[5] ($) (i)
Clayton Riddell[6] Executive Chairman	2017	383,562	1,221,950	972,000	nil	19,178	2,596,690
	2016	361,522	nil	2,324,602	nil	18,076	2,704,200
	2015	149,936	nil	1,118,152	nil	11,245	1,279,333
James Riddell[6] President & CEO	2017	402,741	2,443,900	972,000	500,000	20,137	4,338,778
	2016	379,598	nil	2,710,000	1,200,000	18,980	4,308,578
	2015	402,825	nil	1,642,333	nil	24,930	2,070,088
Bernard Lee Executive Vice President, Finance and Chief Financial Officer	2017	320,388	128,158	486,000	164,014	16,019	1,114,579
	2016	301,977	nil	1,060,370	200,000	15,099	1,577,446
	2015	182,980	nil	285,555	nil	13,724	482,259
Mitchell Shier General Counsel and Corporate Secretary	2017	293,312	117,356	421,200	158,604	14,666	1,005,138
	2016	276,458	nil	830,688	100,000	13,823	1,220,969
	2015	293,374	nil	86,222	nil	22,003	401,599
John Williams[7] Executive Vice President, Kaybob	2017	97,289	88,958	421,200	94,475	4,865	706,787

Notes:

(1) The amounts included in the Share-based awards column are the grant date fair values of the vested and unvested share units granted to the NEOs under Paramount's CBRSUP in 2017 although a significant portion of the grant values could be treated as being in respect of 2016. These values were calculated by multiplying the number of share units comprised in each NEO's CBRSU award by the weighted average price of the Common Shares over the five trading days preceding the grant date of the award. For Messrs. Clayton Riddell and James Riddell, the entire grant of share units vests on the grant date. For Messrs. Lee, Shier and Williams, one-half generally vests on the first anniversary of the grant date and the final one-half vests on the second anniversary of the grant date (however, since the 2017 share unit awards were granted in October rather than April, the first one-half vests in April 2018 and the final one-half vests in April 2019).

(2) The grant date fair value of all Option-based awards were calculated using a Black-Scholes model. This methodology is consistent with the method used to estimate the fair value of options in Paramount's financial statements. For the 2017 grants, the inputs were: expected life 3.9 years, volatility 40% and interest rate 1.6%. In 2016 there were two option grants – one in March and one in December. For the March 2016 grants, the inputs were: expected life 4.1 years, volatility 57.5% and interest rate 0.63%, and for the December 2016 grants, the inputs were: expected life 3.9 years, volatility 43.7% and interest rate 0.9%. The 2016 Option-based awards amounts for the NEOs includes the full grant date fair values of both their March 19, 2016 and December 7, 2016 option grants, even though at least a portion of the March 2016 grant values could be treated as being in respect of 2015. The respective grant date fair values of the March 2016 and December 2016 option awards for each of the NEOs is as follows (with the March award value shown first followed by the December award value): Clayton Riddell ($1,078,602 and $1,246,000); James Riddell ($1,464,000 and $1,246,000); Bernard Lee ($437,370 and $623,000); and Mitchell Shier ($363,438 and $467,250). For the 2015 grants, the inputs were: expected life 2.0 years, volatility 41.6% and interest rate 0.6%.

(3) These amounts represent cash bonuses. For Messrs. Lee, Shier and Williams the 2017 amount includes the 1/3 of their CBRSU award which was in cash.

(4) These amounts are contributions made by the Corporation in respect of RRSPs.

(5) Column "g" (Pension value), as defined in Form 51-102F6, has been omitted from the Summary Compensation Table because Paramount does not have a pension plan as defined in Form 51-102F6. Column "h" does not include perquisites such as parking because the amounts were less than $50,000 and less than 10% of each NEO's total salary in 2015 through 2017. Column "i", the "Total Compensation" column, also does not include any amounts for perquisites that are not required to be included in the table. The total compensation shown in column "i" for all NEOs in 2015 and 2016 reflects the fact that Paramount's offices were closed for 17 unpaid days during the summer months in these years.

(6) Messrs. Clayton Riddell and James Riddell do not receive compensation in their capacity as directors of Paramount.

(7) Mr. Williams became an executive officer of Paramount on September 14, 2017 following Paramount's merger with Trilogy. The salary shown represents Mr. Williams' salary from such time until the end of fiscal 2017.

Outstanding Share-based Awards and Option-based Awards

The following table summarizes the outstanding share-based awards and option-based awards for the NEOs as at December 31, 2017, other than those option-based awards (the **Trilogy Awards**) the NEOs hold as a result of their options granted by Trilogy becoming options to acquire Common Shares in connection with Paramount's merger and subsequent amalgamation with Trilogy. The Trilogy Awards are set forth in the table following the below table.

	Option-based Awards				Share-based Awards		
Name (a)	**Number of securities underlying unexercised options (#)** (b)	**Option exercise price ($)** (c)	**Option expiration date** (d)	**Value of unexercised in-the-money options[(1)] ($)** (e)	**Number of unvested shares (#)** (f)	**Market or payout value of unvested share-based awards[(1)] ($)** (g)	**Market or payout value of vested share-based awards not paid out or distributed ($)** (h)
Clayton Riddell	150,000	19.94	April 30, 2023	nil	nil	nil	nil
	200,000	18.23	April 30, 2022	238,000	nil	nil	nil
	117,880	8.17	April 30, 2020	1,326,150	nil	nil	nil
James Riddell	150,000	19.94	April 30, 2023	nil	nil	nil	nil
	200,000	18.23	April 30, 2022	238,000	nil	nil	nil
	240,000	8.17	April 30, 2020	2,700,000	nil	nil	nil
Bernard Lee	75,000	19.94	April 30, 2023	nil	5,244	101,838	nil
	100,000	18.23	April 30, 2022	119,000	nil	nil	nil
	71,700	8.17	April 30, 2020	806,625	nil	nil	nil
Mitchell Shier	65,000	19.94	April 30, 2023	nil	4,802	93,255	nil
	75,000	18.23	April 30, 2022	89,250	nil	nil	nil
	99,300	8.17	April 30, 2020	1,117,125	nil	nil	nil
John Williams	65,000	19.94	April 30, 2013	nil	3,640	70,689	nil

Note:
(1) The amounts set out in the "Value of unexercised in-the-money options" and "Market or payout value of unvested share-based awards" columns are in respect of all vested and unvested options, and all unvested RSU awards, respectively, held by the NEOs as at December 31, 2017. These amounts were calculated using the $19.42 closing trading price of the Common Shares on December 31, 2017.

The following table summarizes the Trilogy Awards held by the NEOs as at December 31, 2017.

	Option-based Awards			
Name (a)	**Number of securities underlying unexercised options (#)** (b)	**Option exercise price ($)** (c)	**Option expiration date** (d)	**Value of unexercised in-the-money options[(1)] ($)** (e)
Clayton Riddell	40,000	39.00	April 30, 2020	nil
	40,000	25.50	May 2, 2022	nil
	18,848	16.87	April 30, 2020	48,062
James Riddell	66,666	39.00	April 30, 2020	nil
	53,333	25.50	May 2, 2022	nil
	71,120	16.87	April 30, 2020	181,356
Mitchell Shier	4,000	39.00	April 30, 2020	nil
	4,000	25.50	May 2, 2022	nil
	5,200	16.87	April 30, 2020	13,260
John Williams	53,333	39.00	April 30, 2020	nil
	46,666	25.50	May 2, 2022	nil
	57,766	16.87	April 30, 2020	147,354

Note:
(1) The amounts set out in the "Value of unexercised in-the-money options" column are in respect of all vested and unvested options in respect of the Trilogy Awards held by the NEOs as at December 31, 2017. These amounts were calculated using the $19.42 closing trading price of the Common Shares on December 31, 2017.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table shows the options and RSU grants for NEOs that vested during 2017.

Name (a)	Option-based awards – Value vested during the year ($)(1)(2) (b)	Share-based Awards – Value vested during the year ($)(3) (c)	Non-equity incentive plan compensation – Value earned during the year ($) (d)
Clayton Riddell	850,180	1,221,950	nil
James Riddell	1,116,800	2,443,900	500,000
Bernard Lee	354,574	nil	164,014
Mitchell Shier	290,428	nil	158,604
John Williams	nil	nil	94,475

Notes:

(1) The value of options vested is the number of shares underlying that portion of the option that vested during the year multiplied by the price of the Common Shares on the vesting date of October 19, 2017.

(2) Messrs. C. Riddell, J. Riddell, Shier and Williams also had options underlying Trilogy Awards that vested during 2017. The value vested during the year would be $37,319, $56,327, $4,118 and $45,770 based on the price of the Common Shares on the vesting date of October 19, 2017.

(3) No share units were awarded in 2015 or 2016. RSUs were awarded in 2017 but only Messrs. Clayton and James Riddell's awards vested so the amount shown is their total share unit award for 2017.

INCENTIVE PLANS

Cash Bonus and Restricted Share Unit Plan (CBRSUP)

General Information
Under Paramount's CBRSUP, officers and other permanent employees are entitled to receive CBRSU awards consisting of a Cash Bonus and/or RSUs entitling the Grantee to receive Common Shares. Awards are targeted to be 1/3 cash and 2/3 RSUs but can be any combination. The RSUs vest over time, typically two years, except for grants to the Executive Chairman and CEO which vest immediately. The CBRSU awards are granted annually at the discretion of Paramount's Compensation Committee and are subject to corporate, department and individual goals being met or exceeded. Typically awards will be calculated following the completion of the previous fiscal year and granted to eligible employees in April.

Common Shares awarded under the CBRSUP are acquired through the facilities of the TSX by a third-party custodian. Neither management nor the Board (either directly or through the Compensation Committee) have any direct or indirect control over the time, price, amount or manner of such purchases of Common Shares or the choice of broker through which purchases are to be made.

Goals and Targets for Awards
The corporate, department and individual goals on which the CBRSU awards are based are summarized below. The weighting of these goals will be different for each eligible employee, with NEOs, and in particular the CEO, having more weighting on corporate goals.

Corporate Goals: the Corporation meeting or exceeding predetermined goals for the applicable calendar year. The Corporate goals are established by the CEO at the end of each year for the ensuing year. Corporate goals would typically include targets in respect of the Corporation's: (i) production; (ii) reserve additions; (iii) drillable prospects inventory additions; (iv) operating costs, finding and development costs and general and administrative expenses; (v) capital program costs and execution; and (vi) safety. The corporate goals component also looks at Paramount's financial, operating and share performance results versus its peers in the applicable year.

Department Goals: the employee's department meeting or exceeding predetermined goals for the applicable calendar year. The department goals are established by the applicable department leader and approved by one of Paramount's executive officers having oversight over such department. Goals for each department are unique to each department, but typically include such things as: (i) improvement in lost time incidents; (ii) process improvements; and (iii) better efficiency.

Individual Goals: the individual employee meeting or exceeding predetermined goals as established during the annual performance review process and the employee's job performance for the preceding year. This component also looks at any significant tangible benefits that the employee brought to his or her department and/or the Corporation in the year over and above those identified as part of his or her individual goals for the year. The employee's individual goals are established by the employee's supervisor and approved by the applicable department leader.

Each employee has a target CBRSU award based on his or her role and position within the Corporation.

Termination of Rights
If employment with Paramount ceases for any reason, other than retirement (at age 65 and after five years of service), long-term disability or death, all outstanding unvested share units held by the employee terminate, unless the Compensation Committee determines otherwise. In the event of death, all outstanding unvested share units vest immediately. Unvested share units held by retiring employees or employees on long-term disability continue to vest in accordance with their existing original vesting schedule.

Change of Control or Sale
The definition of a change of control under the CBRSUP is substantially the same as that under the Option Plan (see below). In the event of a change of control or a sale by the Corporation of all or substantially all of its assets, the Compensation Committee may determine, in its sole discretion, to accelerate the vesting of unvested RSUs.

Adjustments
In the event of any: (i) change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; (ii) rights granted to Shareholders to purchase Common Shares at prices substantially below fair market value; (iii) recapitalization, merger, consolidation or other transaction that is not a Change of Control, and as a result the Common Shares are converted into or exchangeable for any other securities or Shareholders are entitled to receive new or additional securities of the Corporation and/or securities of another corporation, trust, partnership or other entity (collectively, **Other Securities**) and/or other property; or (iv) dividends or distributions, the Board or the Compensation Committee may make such adjustments to the CBRSUP and to any awards outstanding as they in their sole discretion consider appropriate.

Administration
The CBRSUP is administered by Paramount's Compensation Committee on behalf of the Board. The Compensation Committee shall have the full right and authority to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or that the Committee otherwise deems necessary or advisable to properly administer the plan (provided they are not inconsistent with any of the express provisions of the plan).

Amendments
The Compensation Committee may revise or amend the terms of the CBRSUP and/or any RSUs from time to time, should business circumstances warrant. The Board and the Compensation Committee also have the discretion to terminate the CBRSUP and/or any RSUs at any time. If the CBRSUP is terminated, the provisions of the CBRSUP in force at that time will continue in effect as long as any awards of RSUs remain outstanding. Any amendment to the CBRSUP and/or any RSUs takes effect only with respect to awards granted after the date of such amendment, provided that the amendment may apply to any outstanding awards with the mutual consent of Paramount and the holders of such RSUs.

Option Plan

General Information
The Option Plan enables Paramount's Board (or the Compensation Committee on behalf of the Board) to grant to key employees, officers and non-employee directors options to acquire Common Shares. Under the terms of the Option Plan, the number of Common Shares reserved for issuance cannot exceed 10% of the issued and outstanding Common Shares from time to time. The maximum number of Common Shares that may be reserved for issuance to insiders pursuant to options granted under the Option Plan and any other SBCA, in the aggregate and within any one-year period, is 10% of the outstanding Common Shares. The Trilogy Awards are now also governed by the Option Plan and the former Trilogy stock option plan has been terminated.

On March 7, 2018, the Board approved the following changes to the Option Plan, subject to TSX and Shareholder approval (i) revising the provisions of the Option Plan governing amendments to the Option Plan and/or options granted thereunder to update and clarify what amendments can be made without shareholder approval and what amendments require Shareholder approval; (ii) revising the provision regarding the minimum exercise price of options granted such that the volume weighted average trading price of the Common Shares on the TSX for the five completed trading days immediately prior to the date of grant shall be used instead of the closing price of the Common Shares on the TSX on the trading day prior to the grant date; and (iii) to extend the expiry date of options that would otherwise expire during (or shortly after the termination of) blackout periods or other trading restrictions imposed by the Corporation. The changes to the Option Plan amendment provisions are to, among other things, adopt certain best practices. The text of these amendments is set forth in Schedule "B" hereto. The Board also made certain other non-substantive amendments of a "housekeeping" nature to the Option Plan. Pursuant to Section 613(i)(v) of the TSX Company Manual and the terms of the Option Plan, the amendments listed above require Shareholder approval and such approval is being sought at the Meeting. See "*Business of the Meeting – Approval of Amendments to Paramount's Stock Option Plan and the Unallocated Options Thereunder*". The following summary of the Option Plan's terms includes the changes described above.

Exercise Provisions and Assignability; No Financial Assistance to Optionees
The exercise price of an option cannot be less than the volume weighted average trading price of the Common Shares on the TSX for the five completed trading days immediately prior to the date of grant. To exercise, optionholders may either exercise their options for Common Shares or, if the Corporation concurs, surrender their options for a cash payment in an amount equal to the positive difference, if any, between the market price and the exercise price of the number of Common Shares in respect of which the options are surrendered. Upon the surrender of options, the right to the underlying Common Shares is forfeited. In order for Paramount to comply with applicable income tax and related withholding obligations with respect to stock option exercises, optionholders are required, when exercising options, to provide Paramount with the necessary funds to satisfy such obligations and Paramount has the irrevocable right to set off any amounts required to be withheld against amounts otherwise owed to optionholders or to make such other

arrangements as are satisfactory to Paramount. No financial assistance is provided by Paramount to optionholders to facilitate the exercise of options. Options may be exercised only by the optionholder and are not assignable, except on death in which case the personal representative of the optionholder may exercise such vested options to the extent the holder was entitled at the date of death.

Option Vesting and Term

The Option Plan provides that option grants can be made for a term not exceeding ten years from the date of the grant. All currently outstanding options have expiry dates that are six months after their final vesting date and terminate no later than April 30, 2023. Options granted under the Option Plan generally have a 5-year vesting schedule. For options that would expire on, or within nine business days immediately following, a date upon which a holder is prohibited from exercising an option due to a black-out period or other trading restriction imposed by the Corporation, the expiry date of such options is automatically extended to the 10^{th} business day following the date the black-out period or other trading restriction is removed.

Termination of Rights

The Option Plan provides that in the event an optionholder ceases to be employed with, or ceases to be a director of, Paramount for any reason, other than death, the optionholder shall have sixty days from the date of notice of such termination, or such shorter or longer period (not to exceed three years) as may be otherwise determined by the Board and specified in an option agreement, to exercise his or her then remaining vested number of options with the unvested options as of such date being terminated and forfeited. In the event of the death of an optionholder, his or her vested options may be exercised or surrendered, to the extent that the optionholder was entitled to exercise his or her options at the date of death, by his or her personal representative at any time up to and including one year after death, unless specified otherwise in the optionholder's option agreement.

Adjustments

Options may be adjusted in the sole discretion of the Board as a result of a reorganization, merger or dissolution of Paramount or a sale of all or substantially all of Paramount's assets or in the event of a subdivision or consolidation of the Common Shares.

Change of Control, Sale or Takeover Bid

A change of control is defined in the Option Plan as (i) Paramount entering into an agreement resulting in a person or persons acquiring more than 50% of Paramount's then outstanding Common Shares; (ii) the passing of a resolution by the Board or Shareholders to substantially liquidate or wind up the business or significantly rearrange Paramount's affairs; or (iii) a change to the majority of the Board at a meeting in which the election of directors is contested. If a change of control occurs, optionholders may be authorized, at the sole discretion of the Board, to exercise or surrender, in full or in part, any unexercised options (including all unvested options) during the term of the options or within 60 days after the date of their termination of employment with Paramount. In the event of an offer being made for all of the Corporation's Common Shares, the Board, in their sole discretion, may accelerate the vesting of any outstanding options so that all unvested options vest and become exercisable.

Amendments to the Option Plan and/or Options Thereunder; Suspension or Termination of the Option Plan

The following changes to the Option Plan and/or options granted thereunder may be made without the approval of Shareholders: (a) to the provisions of the Option Plan respecting the persons eligible to receive options; (b) to the terms or conditions of vesting applicable to any option; (c) to accelerate the expiry date or change the termination provisions of an option; (d) to the adjustment provisions of the Option Plan; (e) to the Option Plan or any options as necessary to comply with, satisfy or address applicable laws or regulatory requirements; (f) of a "housekeeping" nature, including, without limitation, to clarify the meaning of an existing provision of the Option Plan, correct or supplement any provision of the Plan that is inconsistent with any other provision of the Option Plan or correct any grammatical or typographical errors; (g) to the mechanics of exercise of the options; (h) respecting the administration of the Option Plan; and (h) any other amendment to the Option Plan or any options that does not require shareholder approval under the rules, regulations and policies of the TSX.

The following changes to the Option Plan and/or options granted thereunder may not be made without the approval of the Shareholders: (a) to increase the percentage of Common Shares issuable under the Option Plan; (b) to increase or remove the insider participation limits set out in the Option Plan; (c) add any financial assistance provision to, or change the assignment and transferability provisions of, the Option Plan; (d) to extend the expiry date of any option(s); (e) to reduce the exercise price of any option(s) or otherwise effectively re-price any option(s); (f) to the amendment provisions of the Option Plan; and (g) that otherwise require shareholder approval under the rules, regulations and policies of the TSX.

The Option Plan may also be discontinued, suspended or terminated by the Board at any time, subject to any required TSX approvals; provided, however, that no such actions or amendments may adversely alter or impair any option previously granted without the consent of the holder thereof unless it is required by applicable laws or regulations.

Options Outstanding and Remaining Available for Grant

- As at March 12, 2018, there were options to acquire 9,799,154 Common Shares outstanding under the Option Plan with options to acquire 3,565,969 Common Shares remaining available for grant, representing approximately 7.33% and 2.67% of the total number of outstanding Common Shares as at such date, respectively.

Option Plan Burn Rate for the Last Three Years

Pursuant to TSX rules, Paramount is also required to calculate and disclose the annual "burn rate" of the Option Plan for the three most recently completed financial years. The annual burn rate is equal to the number of options granted under the Option Plan in the applicable year, divided by the weighted average number of securities outstanding in that year, expressed as a percentage. Paramount's average burn rate over the last 3 years is 3.2%.

Financial Year Ending December 31	Burn Rate (%)
2015	0.6%
2016	4.2%
2017	4.8%

Equity Compensation Plan Information

The Option Plan is the only compensation plan under which equity securities of Paramount have been authorized for issuance from treasury. As of December 31, 2017, there was an aggregate of 10,028,920 options outstanding under the Option Plan (including those issuable under the Trilogy Awards), the details of which are as follows:

Plan Category	Number of securities to be issued upon exercise of outstanding options as at December 31, 2017	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issues under equity compensation plans (excluding securities reflected in the first column) as at December 31, 2017
Equity compensation plans approved by securityholders – Option Plan	10,028,920	$19.133	3,476,961
Equity compensation plans not approved by securityholders	None	None	None
	10,028,920	$19.133	3,476,961

TERMINATION AND CHANGE OF CONTROL BENEFITS

Messrs. Clayton Riddell and James Riddell do not have written employment contracts. Messrs. Lee, Shier and Williams have employment letter agreements; however, Messrs. Lee's and Williams' employment letter agreements do not contain any provisions dealing with termination, retirement, resignation or a change of control. Accordingly, all rights or entitlements of the NEOs other than Mr. Shier with respect to termination, retirement, resignation or a change of control are, in the case of severance rights, governed by the common law, and in the case of their CBRSUP incentive awards and option grants governed by the applicable provisions of the CBRSUP and Option Plan. As discussed above, Paramount's CBRSUP and Option Plan provide that upon a change of control, a sale by the Corporation of all or substantially all of its assets or an offer being made for all of the Corporation's Common Shares the vesting of all unvested RSUs and options may be accelerated in the sole discretion of the Compensation Committee (in the case of the CBRSUP) or the Board (in the case of the Option Plan).

Mr. Shier's employment agreement specifies that if his employment is terminated without cause, he is entitled to receive a severance amount equal to two times his annual salary plus all outstanding vacation pay to the date of termination. In addition, upon a termination without cause: (i) Mr. Shier's unvested options which are scheduled to vest during the 24 months following the date of termination immediately vest and become exercisable; and (ii) his unvested RSU awards also vest. Mr. Shier otherwise has the same rights and entitlements as the other NEOs. Based on Mr. Shier's

2017 base salary, bonus, and option award, the table below sets out an estimated aggregate amount that he would have been entitled to if he had been terminated without cause on December 31, 2017.

	Severance	Option Benefits	RSU Benefits	Total
Mitchell Shier	$615,955(1)	$487,854(2)	$93,255(3)	$1,197,064

Notes:
(1) Mr. Shier's severance is calculated using his annual cash compensation.
(2) Mr. Shier's option benefit is the net dollar amount payable to Mr. Shier assuming the exercise of unvested options. Withholding taxes or other statutory payments have not been deducted from the total.
(3) Mr. Shier's RSU benefit is the dollar amount payable to Mr. Shier assuming all his RSU awards scheduled to vest in the 24 months following December 31, 2017 vested and were sold on December 31, 2017. No taxes have been deducted from the total.

DIRECTOR COMPENSATION

Director Compensation Table

The following table provides a summary of compensation earned by the non-management directors of Paramount in 2015, 2016 and 2017

Name (a)	Year	Fees earned ($) (b)	Option-based Awards[(1)] ($) (d)	Total Compensation[(2)] ($) (h)
James Bell	2017	73,880	97,200	171,080
	2016	39,108	148,350	187,458
	2015	40,500	nil	40,500
John Gorman	2017	77,592	97,200	174,792
	2016	48,883	148,350	197,233
	2015	42,000	nil	42,000
Dirk Jungé	2017	35,069	97,200	132,269
	2016	34,856	148,350	183,206
	2015	30,000	nil	30,000
Susan Riddell Rose	2017	26,567	97,200	123,767
	2016	26,354	148,350	174,704
	2015	23,750	nil	23,750
John Roy	2017	69,943	97,200	167,143
	2016	41,234	148,350	189,584
	2015	53,000	nil	53,000
Wilfred Gobert[(3)]	2017	7,441	97,200	104,641
Robert MacDonald[(3)]	2017	6,378	97,200	103,578
R. Keith MacLeod[(3)]	2017	6,378	97,200	103,578

Notes:

(1) The grant date fair values were calculated using a Black-Scholes model. This methodology is consistent with the method used to estimate the fair value of options in Paramount's financial statements. Paramount's directors were included in both the March 19, 2016 and December 7, 2016 option grants, and their Option-based awards amounts for 2016 include the full grant date fair values of both their March and December grants (even though at least a portion of the March grant values could be treated as being in respect of 2015). The grant date fair values of the March 2016 and December 2016 option awards for each of the directors were $54,900 and $93,450, respectively. For the 2017 grants the inputs were: expected life 3.9 years, volatility 40% and interest rate 1.6%. For the March 2016 grants, the inputs were: expected life 4.1 years, volatility 57.5% and interest rate 0.63%, and for the December 2016 grants, the inputs were: expected life 3.9 years, volatility 43.7% and interest rate 0.9%.

(2) Columns "c" (Share-based awards), "e" (Non-equity incentive plan compensation), "f" (Pension value) and "g" (All other compensation), as defined in Form 51-102F6, have been omitted from the Director Compensation Table above. Column "c" has been omitted because directors do not receive share-based awards. Column "e" has been omitted because Paramount did not award any non-equity incentive plan compensation to non-management directors in 2015, 2016 or in 2017. Column "f" has been omitted because Paramount does not have a pension plan. Finally, column "g" has been omitted because no other amounts, as defined in 51-102F6, were paid or payable to Paramount's non-management directors in 2015, 2016 or in 2017.

(3) Messrs. Gobert, MacDonald and MacLeod were appointed to the board on September 8, 2017.

Narrative Discussion Related to Director Compensation

Fees Earned

The column entitled "Fees earned" in the Director Compensation Table sets out the fees earned by each non-management director in 2017. These fees were set at the December 2016 meeting of the Compensation Committee (after consultation with all independent directors) in advance of the 2017 fiscal year, and, in accordance with the Corporation's cost saving measures, were reduced by 15% from their 2015 levels (effective January 1, 2016). Non-management directors were paid a $17,000 annual honorarium and additional fees for chairing committees, attending meetings and signing written resolutions. The chair of the Audit Committee was paid an additional annual honorarium of $5,525, and the chairs of the Corporate Governance Committee, Environmental Health and Safety Committee and Compensation Committee each received an additional annual honorarium of $4,250. Each non-management director was also paid a $1,063 fee for each Board, committee or Shareholders' meeting he or she attended, and $425 for each written Board or committee resolution they signed. Finally, the Lead Director received an additional annual honorarium of $8,500. The aggregate cash compensation paid to the non-management directors in 2017 was $303,248.

In December 2017, the Compensation Committee reviewed the compensation payable to directors of a select group of peer companies. After reviewing such information and consulting with all other independent Board members of the Corporation, the Compensation Committee recommended that the Board approve the following director compensation effective January 1, 2018. Non-management directors will be paid a $40,000 annual honorarium (in 4 instalments of $10,000 each) and additional fees for chairing committees. No fees will be payable for attending meetings and signing written resolutions. The chair of each board committee will be paid an additional annual honorarium of $10,000 and the Lead Director will receive an additional annual honorarium of $15,000 (also to be paid in 4 equal instalments).

Option-based Awards
Paramount granted options to its non-management directors in December 2017 at the same time as the grants to NEOs.

Outstanding Share-based Awards and Option-based Awards

The following table summarizes the outstanding share-based awards and option-based awards for non-management directors as at December 31, 2017, other than the Trilogy Awards held by Messrs. Gobert, MacDonald and MacLeod which are set out in the table below the following table.

	Option-based Awards			
Name **(a)**	**Number of Securities Underlying Unexercised Options (#)** **(b)**	**Option Exercise Price ($)** **(c)**	**Option Expiration Date** **(d)**	**Value of Unexercised In-the-Money Options ($)(1)** **(e)**
James Bell	15,000 15,000 15,000	19.94 18.23 8.17	April 30, 2023 April 30, 2022 April 30, 2020	nil 17,850 168,750
John Gorman	15,000 15,000 15,000	19.94 18.23 8.17	April 30, 2023 April 30, 2022 April 30, 2020	nil 17,850 168,750
Dirk Jungé	15,000 12,000 6,000	19.94 18.23 8.17	April 30, 2023 April 30, 2022 April 30, 2020	nil 14,280 67,500
Susan Riddell Rose	15,000 15,000 15,000	19.94 18.23 8.17	April 30, 2023 April 30, 2022 April 30, 2020	nil 17,850 168,750
John Roy	15,000 15,000 15,000	19.94 18.23 8.17	April 30, 2023 April 30, 2022 April 30, 2020	nil 17,850 168,750
Wilfred Gobert(3)	15,000	19.94	April 30, 2023	nil
Robert MacDonald(3)	15,000	19.94	April 30, 2023	nil
R. Keith MacLeod(3)	15,000	19.94	April 30, 2023	nil

Notes:
(1) These amounts were calculated using the $19.42 closing trading price of the Common Shares on December 31, 2017 and in respect of all vested and unvested options.
(2) Columns "f", "g", and "h" have been omitted because directors do not receive Share-based awards.
(3) Messrs. Gobert, MacDonald and MacLeod were appointed to the board on September 8, 2017.

The following table summarizes the Trilogy Awards held by Messrs. Gobert, MacDonald and MacLeod as at December 31, 2017.

	Option-based Awards			
Name **(a)**	**Number of securities underlying unexercised options (#)** **(b)**	**Option exercise price ($)** **(c)**	**Option expiration date** **(d)**	**Value of unexercised in-the-money options(1) ($)** **(e)**
Wilfred Gobert	4,000 4,000 5,200	39.00 25.50 16.87	April 30, 2020 May 2, 2022 April 30, 2020	nil nil 13,260
Robert MacDonald	4,000 4,000 5,200	39.00 25.50 16.87	April 30, 2020 May 2, 2022 April 30, 2020	nil nil 13,260
R. Keith MacLeod	4,000 4,000 5,200	39.00 25.50 16.87	April 30, 2020 May 2, 2022 April 30, 2020	nil nil 13,260

Note:
(1) These amounts were calculated using the $19.42 closing trading price of the Common Shares on December 31, 2017 and in respect of all vested and unvested options.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table shows the options for non-management directors that vested during 2017.

Name **(a)**	**Option-based awards – Value vested during the year ($)(1)(2)** **(b)**
James Bell	45,780
John Gorman	45,780
Dirk Jungé	45,780
Susan Riddell Rose	45,780
John Roy	45,780
Wilfred Gobert	nil
Robert MacDonald	nil
R. Keith MacLeod	nil

Notes:
(1) The value of options vested is the number of shares underlying that portion of the option that vested during the year multiplied by the price of the Common Shares on the vesting date of October 19, 2017.
(2) Messrs. Gobert, MacDonald and MacLeod also had options underlying Trilogy Awards that vested during 2017. The value vested during the year would be $4,118 for each of them based on the price of the Common Shares on the vesting date of October 19, 2017.
(3) Columns "c" and "d" have been omitted because directors do not receive Share-based awards or Non-equity incentive plan compensation.

Share Ownership and Hold Period Requirements

Paramount's directors must acquire and hold Common Shares having a value equal to at least three times their annual base retainer, and hold such Common Shares during his or her tenure.

Each of Paramount's directors has acquired the requisite number of shares under this policy. See the Nominees for Election to the Board of Directors Table for the multiple of the annual base retainer held by each nominee director.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

The Corporation has a policy prohibiting it from making loans to its directors and officers.

CORPORATE GOVERNANCE

The Corporate Governance Committee is presently comprised of John Gorman (Lead Director), John Roy (Chair), James Bell, Wilfred Gobert, Dirk Jungé, Robert MacDonald and Keith MacLeod. All members are unrelated, independent and non-management directors as defined by applicable securities laws.

In developing its approach to governance, the Committee has considered applicable securities legislation and policies, Paramount's by-laws, Paramount's organization, structure and ownership as well as existing policies reflecting Paramount's values.

The Committee has been diligent in its review of all current and proposed regulatory requirements and, in respect thereof, continues to monitor and update Paramount's corporate governance practices. In this regard, reference should be made to the disclosure below and to the Board's mandate which is set out in Schedule "A" to this Information Circular.

Statement of Corporate Governance Practices

Board of Directors

a. *Disclose the identity of directors who are independent.*

   James Bell, Wilfred Gobert, John Gorman, Dirk Jungé, Robert MacDonald, Keith MacLeod and John Roy are independent as that term is defined in section 1.4 and 1.5 of National Instrument 52-110 *Audit Committees* ("NI 52-110").

b. *Disclose the identity of directors who are not independent and describe the basis for that determination.*

   Clayton Riddell, James Riddell, and Susan Riddell Rose are the members of Paramount's current Board who are not independent. Clayton Riddell and James Riddell are not independent because they are also members of management. Susan Riddell Rose has a familial relationship with the Executive Chairman and CEO of the Corporation.

c. *Disclose whether or not a majority of directors is independent. If a majority of directors is not independent, describe what the Board of Directors does to facilitate its exercise of independent judgment in carrying out its responsibilities.*

   A majority of the directors are independent (7 of the 10 directors are independent).

d. *If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.*

   Outside directorships are disclosed under the section "Nominees for Election to the Board of Directors." As indicated in that section, certain additional boards that Clayton Riddell and James Riddell sit on are of corporations that have been spun out by Paramount.

e. *Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.*

   The current Corporate Governance Committee is composed of all of the independent directors. The Corporate Governance Committee meets at least semi-annually. Non-independent directors and members of management are not in attendance at these meetings. The Corporate Governance Committee also meets on an ad hoc basis where circumstances warrant.

   The Board has a policy requiring that an *in-camera* meeting of independent directors be held in connection with all Board and committee meetings.

f. *Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.*

Clayton Riddell is the Executive Chairman of Paramount and he is not an independent director. As the Executive Chairman is not an independent director, the Board has appointed John Gorman, an independent director, as Lead Director. The Lead Director is responsible for:

- facilitating the functioning of the Board independent of management and ensuring that directors have an independent leadership contact;
- ensuring that the Board has adequate resources, especially by way of full, timely and relevant information to support its decision-making requirements;
- assisting and providing input to the Executive Chairman on preparation of agendas for Board meetings as required;
- consulting with the Executive Chairman on the effectiveness of Board committees;
- ensuring that independent directors have adequate opportunities to meet to discuss issues without Management present;
- chairing Board meetings when the Executive Chairman and CEO are not in attendance;
- ensuring delegated committee functions are carried out and reported to the Board, for example, the CEO performance assessment, CEO and Board succession planning, and strategic planning; and
- acting as a liaison between the Board and management.

g. *Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.*

All directors running for re-election had perfect attendance records. Further detail is disclosed under the section "Nominees for Election to the Board of Directors."

Board Mandate

a. *Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.*

The Board has the responsibility to understand the principal risks of the business in which the Corporation is engaged and to ensure that there are appropriate systems in place to monitor and manage these risks. This oversight function is performed by the Board both directly and through its Compensation, Corporate Governance, Audit, Reserves and Environmental, Health and Safety Committees.

The complete text of the mandate of the Board is attached as Schedule "A" to this circular.

Position Descriptions

a. *Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.*

Written position descriptions have been developed for the Executive Chairman, the Lead Director and for the Chair of each Board committee as well as for the CEO and Chief Financial Officer.

b. *Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.*

A written position description has been developed for the CEO by the Corporate Governance Committee of the Board.

Orientation and Continuing Education

a. *Briefly describe what measures the Board takes to orient new directors regarding the role of the Board, its committees and its directors, and the nature and operation of the issuer's business.*

The Board has delegated to the Corporate Governance Committee the responsibility of ensuring there is in place an education and comprehensive orientation program for new members of the Board and a continuing education program for all directors. Under the guidance of the Lead Director, the Corporate Governance Committee has developed and maintains a Corporate Governance Manual to assist new and existing Board members in understanding the role of the Board, its committees and the contribution individual Board members are expected to make. The Corporate Governance Manual contains a historical profile of Paramount, a discussion on the nature and objectives of corporate governance, copies of all relevant corporate, board and committee policies, mandates and charters as well as reference material relating to the legal duties and obligations of a director in a publicly held company. New directors are made aware of the nature and operation of Paramount's business through interviews and meetings with the Executive Chairman, CEO, other directors, officers and management personnel during which they are briefed on Paramount and its business. If requested, an experienced director will be assigned to mentor and coach any new Board member during their initial months of service. In May and November each year, a comprehensive review of Paramount's operations is presented to the Board.

b. Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

Directors are provided with any available information that will facilitate the maintenance of their industry knowledge and professional skills. Directors are regularly updated on the business operations of Paramount at Board meetings, particularly through the semi-annual sessions to review operations, and through regular communications from management. These updates are conducted by senior management and other invited Paramount employees and include discussions on strategic issues affecting Paramount and any other developments that could materially affect Paramount's business. Directors are also updated on developments in best corporate governance practices through reports from the Corporate Governance Committee. Significant developments in legislation, policy or case law are discussed at Board and applicable committee meetings. Directors are updated on changes to financial reporting requirements through presentations from management and Paramount's auditors, either at regularly scheduled Audit Committee meetings or at special meetings arranged for the Board for that purpose. Directors are invited to suggest to the Corporation other means of maintaining the skills and knowledge necessary for them to fulfill their responsibilities and steps are taken to implement such suggestions when feasible.

The Corporation uses a secure board portal to distribute information to the Board of Directors. Information on the board portal includes both current and historic board and committee meeting materials, minutes and resolutions, and the Corporate Governance Manual. All existing board members have received, and all new board members will receive, training on the use of the board portal.

James Bell completed the Canadian Securities Course in January 2014 and the Partners, Directors and Senior Officers course in February 2014.

Dirk Jungé attended the Kellogg Corporate Governance Conference (exclusively for experienced corporate directors) at Northwestern University in May 2015, and the National Association of Corporate Directors' Annual Global Forum in 2017.

In 2017, Mr. MacLeod participated in the Director Education Program of the Institute of Corporate Directors.

Ethical Business Conduct

a. Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code:

- *disclose how a person or company may obtain a copy of the code;*
- *describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and*
- *provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.*

The Board has adopted a written Code of Business Conduct for all directors, officers, employees and consultants. There is also a written Code of Ethics for the CEO, CFO, Controller and any person performing similar functions. In addition, each director has a copy of the Corporate Governance Manual which sets out a standard of conduct expected of directors as does the Disclosure and Insider Trading Policy. The Board has also adopted a Whistleblower Policy.

The Code of Business Conduct, the Disclosure and Insider Trading Policy and the Whistleblower Policy are available to officers, employees and consultants on Paramount's intranet site. Additionally, the Code of Ethics, the Code of Business Conduct and the Whistleblower Policy are available on the Corporation's website at http://www.paramountres.com. The Code of Ethics and the Code of Business Conduct are also filed on SEDAR. Lastly, should anyone wish a hard copy of any of these policies, they may be obtained on request from the Corporate Secretary at 2800, 421 – 7th Avenue S.W., Calgary, Alberta T2P 4K9.

Compliance is monitored by the Audit Committee receiving, annually, certificates from Paramount's officers and senior management confirming their compliance with the Code of Business Conduct and where applicable, the Code of Ethics. The Audit Committee reviews the certifications and reports to the Board. In addition to the annual certification of the officers, each employee and consultant receives annually a communication from management or People Operations reiterating the need to comply with the Code of Business Conduct and reminding them that the Whistleblower Policy facilitates anonymous disclosure of any breach.

No material change reports were filed by Paramount during 2017 relating to a director's or executive officer's departure from the Code of Business Conduct or the Code of Ethics.

b. Describe any steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

Directors must disclose all interests and relationships of which the director is aware which may give rise to a conflict of interest. Directors are also required to disclose any actual or potential personal interest in a matter on which the Board is making a decision and withdraw from deliberations and voting on the matter.

c. Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.

All directors, officers, employees and consultants are provided with a copy of the Code of Business Conduct which stresses that directors, officers, employees and consultants are expected and required to adhere to the highest ethical standards. Directors, officers, employees and consultants are reminded of their obligation to review and comply with the provisions of the Code of Business Conduct regularly. Officers certify that they understand the content and consequences of the Code of Business Conduct annually.

Nomination of Directors

a. Describe the process by which the Board identifies new candidates for Board nomination.

The Corporate Governance Committee is responsible for identifying new candidates for nomination to the Board and recommending them to the Board when appropriate. Upon there being a vacancy on the Board or a determination being made that the Board should be expanded, the CEO and the chair of the Corporate Governance Committee meet to review whether there are particular competencies needed by the Board and to set forth criteria in the selection process. Once a suitable candidate(s) is identified, the CEO and/or chair of the Committee meet with the nominee(s) to discuss his or her interest and ability to devote sufficient time and resources to the position. If the nominee agrees to the appointment or to stand for election, he or she is presented to the Corporate Governance Committee. If the proposed nominee is acceptable to the Corporate Governance Committee, the Corporate Governance Committee then makes a recommendation to the Board.

In 2009 the Corporate Governance Committee developed a flexible, phased-in director succession plan with the intent of replacing certain long-term directors who wished to retire. The plan has been revised as necessary to address changing circumstances and implemented.

b. Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.

The Corporate Governance Committee is composed entirely of independent directors and is charged with recommending new candidates for nomination to the Board.

c. If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

The Corporate Governance Committee is responsible for considering the appropriate size of the Board, establishing the criteria for Board membership, assessing the competencies and skills of each existing director and any new nominees with a view to achieving competencies and skills that the Board as a whole should possess, proposing candidates for election or re-election and ensuring there is an orientation program in place for new Board members and a continuing education program in place for all directors.

Compensation

a. Describe the process by which the Board determines the compensation for the issuer's directors and officers.

The Corporate Governance Committee periodically reviews the adequacy and form of compensation to directors to ensure that the level of compensation reflects the responsibilities and risks involved in being an effective director and reports and makes recommendations to the Board accordingly.

The Compensation Committee considers and, after reasonable consultation by the Chair of the Committee with all other independent directors of the Corporation, approves the annual salary, bonus and other benefits, direct and indirect, of the Executive Chairman and the CEO and all other designated officers in the Corporation (in the latter case after considering the recommendations of the Executive Chairman and CEO), all in accordance with the Corporation's compensation policies and general human resources policies and guidelines concerning employee compensation and benefits, and with such compensation to realistically reflect the responsibilities and risks of such positions.

b. Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.

The Compensation Committee is composed entirely of independent members. James Bell, Wilfred Gobert and John Roy are the members of the Compensation Committee. The Executive Chairman's and CEO's compensation must also be approved by the Compensation Committee, after consultation with all other independent directors.

c. If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

In addition to the function described in section (a) above, the Compensation Committee ensures that Paramount has programs in place to attract and develop management of the highest caliber and to ensure orderly succession of management; implements and administers compensation and general human resource policies and guidelines concerning executive compensation, contracts, stock option and other incentive plans, and proposed personnel changes involving officers reporting to the CEO; reviews the Corporation's policies and programs relating to benefits; receives the CEO's recommendations relating to annual compensation policies and budgets for all employees; reviews the Corporation's compensation policies, including assessing such policies to ensure they do not encourage excessive risk taking; and makes regular reports to the Board on the Committee's activities and findings.

Other Board Committees

a. If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

Paramount currently has five standing committees, namely, the Corporate Governance Committee, the Compensation Committee, the Audit Committee, the Reserves Committee and the Environmental, Health and Safety Committee. All are comprised entirely of independent directors except the Environmental, Health and Safety Committee which has a majority of independent directors.

The Corporate Governance Committee's mandate is to develop and monitor Paramount's overall approach to corporate governance, and subject to the approval of the Board, to implement and administer a system of corporate governance which reflects high standards of corporate governance practices. The Corporate Governance Committee advises the Board and its committees of any corporate governance issues requiring their consideration. These include issues relating to risk management. The Corporate Governance Committee conducts a periodic review of the principal risks associated with the Corporation's business and reports its findings to the Board. In addition, the Corporate Governance Committee is responsible for the nomination of new candidates for directors as well as director orientation and continuing education.

The main functions of the Compensation Committee are described under the section titled "Compensation Governance".

The Audit Committee's main functions are to assist the Board in the discharge of its responsibilities relating to accounting principles, reporting practices and internal controls as well as to oversee the work of the external auditors. In addition, the Audit Committee is responsible for identifying and monitoring the principal risks that could impact the financial reporting of the Corporation.

The overall purpose of the Reserves Committee is to review the Corporation's externally disclosed oil and gas reserves estimates including reviewing the qualifications of, and procedures used by, the independent engineering firm responsible for evaluating the Corporation's reserves. In addition, the Reserves Committee is responsible for, among other things, reviewing Paramount's procedures relating to the disclosure of information with respect to oil and gas activities, including its procedures for complying with the requirements of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*.

The Environmental, Health and Safety Committee's mandate is to review and monitor the environmental, health and safety policies and activities of Paramount and its subsidiaries and to ensure that there are appropriate systems in place to manage the environmental, health and safety risks associated with the operations of the Corporation and its subsidiaries.

Assessments

a. *Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.*

The Board is responsible for making regular assessments of its effectiveness as well as the effectiveness and contribution of each Board committee and each individual director. The Corporate Governance Committee establishes and administers a process (including a review by the full Board and discussion with management) for assessing the effectiveness of the Board as a whole, each of the Board committees and individual directors. A Board assessment and evaluation questionnaire is included in the Corporate Governance Manual and each director, as part of the overall assessment process, completes a confidential questionnaire on an annual basis. This questionnaire asks directors to evaluate, among other things, the size and structure of the Board and each of its committees, the knowledge, understanding and diversity of the directors, the effectiveness of the Executive Chairman, the chair of each committee and the Lead Director, the effectiveness of each committee, preparation for meetings including the setting of agendas and the adequacy and timeliness of information provided to the Board and committees, overall Board operations, ability to function independently of management, and includes a peer-assessment. Since 2013 the Corporation has had a peer review component whereby each director is asked to answer a series of questions evaluating the skills, performance and contributions of each of the other Board members. The Corporate Governance Committee analyzes the directors' responses to these questionnaires and presents them to the full Board each year.

In addition to the detailed evaluation and assessment mentioned above, each Board committee conducts regular reviews and assessments of its performance, including compliance with its charter and its role, duties and responsibilities and submits a report to the Board for consideration and recommendations.

Director Term Limits and Other Mechanisms of Board Renewal

a. *Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board renewal and, if so, include a description of those director term limits or other mechanisms of board renewal. If the issuer has not adopted director term limits or other mechanisms of board renewal, disclose why it has not done so.*

Paramount has not adopted formal term limits or a formal retirement policy for its directors. However, in 2009 the Corporate Governance Committee developed a flexible, phased-in director succession plan with the intent of replacing certain long-term directors who wished to retire. The plan has been revised as necessary to address changing circumstances and implemented.

The purpose of this succession planning has been to ensure that Paramount's Board at all times has the appropriate mix of skills, expertise and knowledge, and that ample time is available to identify qualified replacements for departing Board members. The Board feels that this plan has been a very effective mechanism for facilitating board renewal, and it is not currently contemplating imposing any formal director term limits. In fact, Paramount feels that the imposition of such limits could be counter-productive as it has been Paramount's experience that its directors become increasingly more effective, and better able to provide fresh insights and perspectives and to function independently from management, as they gain experience and a deeper understanding of Paramount's business and its strategic and operational objectives.

Board renewal is also facilitated through the previously discussed annual assessments of the Board, its committees, committee chairs and individual directors in which Board members evaluate each other and the Board as a whole in order to determine whether there are areas where the Board requires improvement.

Policies Regarding the Representation of Women on the Board

a. *Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so.*

The Board has not adopted a written policy relating to the identification and nomination of women directors, as it believes that the interests of Paramount and its shareholders are best served by ensuring that new directors are identified and selected from the widest possible group of potential candidates, without any restrictions or preferences relating to gender. The Board feels that having written policies governing the selection of Board nominees could unduly restrict the Board's ability to select the most capable candidates. Paramount is committed to ensuring that its Board at all times has the required range of skills, knowledge, experience and perspectives to provide the strategic direction and leadership necessary for Paramount to achieve its business objectives.

b. If an issuer has adopted a policy referred to in (a), disclose the following in respect of the policy:
  i. A short summary of its objectives and key provisions,
  ii. The measures taken to ensure that the policy has been effectively implemented,
  iii. Annual and cumulative progress by the issuer in achieving the objectives of the policy, and
  iv. Whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.

See above.

Consideration of the Representation of Women in the Director Identification and Selection Process

a. Disclose whether, and, if so, how the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. If the issuer does not consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board, disclose the issuer's reasons for not doing so.

Given Paramount's belief that candidates for directors should be identified and selected from the widest possible group of qualified individuals, the level of representation of women on the Board is not considered in identifying and nominating candidates for election or re-election to the Board.

Consideration Given to the Representation of Women in Executive Officer Appointments

a. Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.

Paramount's position with respect to the representation of women in executive officer positions is the same as its position with respect to the representation of women on the Board. It believes that people should be hired and promoted based on their professional qualifications, accomplishments and merit. Accordingly, the level of representation of women in executive officer positions is not considered in making executive officer appointments.

Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

a. For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specific date.

b. Disclose whether the issuer has adopted a target regarding women on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so.

The Board has not adopted a target regarding women on the Board or in executive officer positions for the reasons set out above. The Board feels that adopting such a target could unduly restrict Paramount's ability to identify and select the most qualified people.

c. Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so.

See above.

d. If the issuer has adopted a target referred to in either (b) or (c), disclose:
  i. The target, and
  ii. The annual and cumulative progress of the issuer in achieving the target.

See above.

Number of Women on the Board and in Executive Officer Positions

a. Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women.

Paramount has one female Board member. This represents 10% of Paramount's current Board.

b. Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.

Paramount currently has one executive officer who is a woman.

Schedule "A"
Board of Directors' Mandate

The Board of Directors' Mandate was adopted by the Board on May 19, 2005. The Mandate is set out in its entirety below.

A. Introduction

The Board of Directors (the "Board") has the responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management, which is responsible for the day-to-day conduct of the business. The Board's fundamental objectives are to enhance and preserve long term Shareholder value, to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board should also consider the legitimate interests its other stakeholders such as employees, customers and communities may have in the Corporation. In overseeing the conduct of the business, the Board, through the Executive Chairman and the President & Chief Executive Officer, shall set the standards of conduct for the Corporation.

B. Procedures and Organization

The Board operates by delegating certain of its powers to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chair, nominating candidates for election to the Board, constituting committees of the Board and determining Director compensation. Subject to the Articles and By-Laws of the Corporation and the Business Corporations Act, Alberta (the "Act"), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

C. Duties and Responsibilities

The Board's principal duties and responsibilities fall into a number of categories which are outlined below.

1. Legal Requirements

   (a) The Board has the responsibility to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained;

   (b) The Board has the statutory responsibility to:
      - (i) manage the business and affairs of the Corporation;
      - (ii) act honestly and in good faith with a view to the best interests of the Corporation;
      - (iii) exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances; and
      - (iv) act in accordance with its obligations contained in the Business Corporations Act, Alberta and the regulations thereto, the Corporation's Articles and By-Laws, securities legislation of each province and territory of Canada, and other relevant legislation and regulations;

   (c) The Board has the statutory responsibility for considering the following matters as a full Board which in law may not be delegated to management or to a committee of the Board:
      - (i) any submission to the shareholders of a question or matter requiring the approval of the shareholders;
      - (ii) the filling of a vacancy among the directors or in the office of auditor;
      - (iii) the issuance of securities;
      - (iv) the declaration of dividends;
      - (v) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;
      - (vi) the payment of a commission to any person in consideration of his/her purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;
      - (vii) the approval of management proxy circulars;
      - (viii) the approval of the annual financial statements of the Corporation, MD&A and AIF; and
      - (ix) the adoption, amendment or repeal of By-Laws of the Corporation.

2. Independence

   The Board has the responsibility to ensure that appropriate structures and procedures are in place to facilitate the Board to function independently of management. In this regard, the Board shall consist of a majority of "independent directors"[1], as that term is defined in Section 1.4 of Multilateral Instrument 52-110, Audit Committee or such guidelines as may hereafter replace the same. The independent board members should hold separate, regularly scheduled meetings at which members of management are not in attendance. In as much as the chair of the Board of Paramount Resources Ltd. is not independent, an independent director has been appointed as "lead director."

3. Strategy Determination

   The Board has the responsibility to ensure there are long term goals and a strategic planning process in place for the Corporation and to participate with management directly or through its committees in developing and approving, as required, the mission of the business of the Corporation and the strategic plan by which it proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of the Corporation's business.

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[1] Definitions have been omitted.

4. Managing Risk

The Board has the responsibility to understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to ensure that there are appropriate systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

5. Division of Responsibilities

The Board has the responsibility to:

(a) appoint and delegate responsibilities to committees where appropriate to do so; and
(b) develop position descriptions for:
    (i) the Executive Chairman;
    (ii) the lead director;
    (iii) the President and Chief Executive Officer; and
    (iv) the Chief Financial Officer.

6. Appointment, Training and Monitoring Senior Management

The Board has the responsibility to:

(a) appoint the Chief Executive Officer, to monitor and assess the Chief Executive Officer's performance, to determine and approve the Chief Executive Officer's compensation, and to provide advice and counsel in the execution of the Chief Executive Officer's duties;
(b) approve the appointment and remuneration of all other designated corporate officers, acting upon the advice of the Chief Executive Officer;
(c) the extent feasible, to satisfy itself as to the integrity of the Chief Executive Officer and other corporate officers and that the Chief Executive Officer and other corporate officers create a culture of integrity throughout the organization;
(d) ensure that adequate provision has been made to train and develop management and for the orderly succession of management; and
(e) ensure that management is aware of the Board's expectations of management.

7. Policies, Procedures and Compliance

The Board has the responsibility to:

(a) ensure that the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards;
(b) approve and monitor compliance with significant policies and procedures by which the Corporation is operated;
(c) ensure the Corporation sets high environmental standards in its operations and is in compliance with environmental laws and legislation; and
(d) ensure the Corporation has in place appropriate programs and policies for the health and safety of its employees in the workplace.

8. Reporting and Communication

The Board has the responsibility to:

(a) ensure the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;
(b) ensure that the financial performance of the Corporation is adequately reported to shareholders, other securityholders and regulators on a timely and regular basis;
(c) ensure that the financial results are reported fairly and in accordance with generally accepted accounting standards;
(d) ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation;
(e) report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year; and
(f) develop appropriate measures for receiving shareholder feedback.

9. Monitoring and Acting

The Board has the responsibility to:

(a) monitor the Corporation's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;
(b) take action when performance falls short of its goals and objectives or when other special circumstances warrant;
(c) ensure that the Corporation has implemented adequate internal control and management information systems which ensure the effective discharge of its responsibilities; and
(d) make regular assessments of the Board's effectiveness, as well as the effectiveness and contribution of each Board Committee. This responsibility has been delegated to the Corporate Governance Committee working in conjunction with the Executive Chairman.

Schedule "B"
Stock Option Plan Amendments

The amended plan amendments provision is as follows:

6.

(c) Subject to Sections 6(d) and (e) below, the Board of Directors may from time to time, in its sole discretion and without the approval of the shareholders or Participants make any amendments to this Plan and/or any Options that it deems necessary or advisable, including without limitation:

- (i) to the provisions of the Plan respecting the persons eligible to receive Options;
- (ii) to the terms or conditions of vesting applicable to any Option;
- (iii) to accelerate the expiry date or change the termination provisions of an Option;
- (iv) to the adjustment provisions of the Plan;
- (v) to the Plan or any Options as necessary to comply with, satisfy or address applicable laws or regulatory requirements;
- (vi) of a "housekeeping" nature, including, without limitation, to clarify the meaning of an existing provision of the Plan, correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan or correct any grammatical or typographical errors;
- (vii) to the mechanics of exercise of the Options;
- (viii) respecting the administration of the Plan; and
- (ix) any other amendment to the Plan or any Options that does not require shareholder approval under the rules, regulations and policies of the Exchange.

(d) Notwithstanding Section 6(c), approval of the shareholders of the Corporation will be required for amendments to:

- (i) increase the percentage of Common Shares issuable under the Plan;
- (ii) increase or remove the insider participation limits set out in Section 3(a);
- (iii) add any financial assistance provision to, or change the assignment and transferability provisions of, the Plan;
- (iv) extend the expiry date of any Option(s);
- (v) reduce the exercise price of any Option(s) or otherwise effectively re-price any Option(s);
- (vi) Section 6(c) or (d); or
- (vii) that otherwise require shareholder approval under the rules, regulations and policies of the Exchange.

(e) In addition, any amendment to this Plan or any Options that is adverse or detrimental to holders of existing Options and is not required by applicable laws or regulations (as determined by the Board of Directors in its sole discretion) shall, unless it is consented to by such holders, only apply to Options granted after the effective date of such amendment.

The amended exercise price provision is as follows:

The exercise price of the Options granted hereunder shall be not less than that permitted by the applicable rules, regulations and policies of the Exchange and in no case less than the volume weighted average trading price of the Common Shares on the Exchange for the five completed trading days immediately prior to the grant of the Option.

The amended expiry date provision is as follows:

Unless the Board of Directors determines otherwise, each Option granted hereunder shall be for a term not exceeding ten years and shall be exercisable in whole or in part at any time during the term subject to such vesting provisions, terms, conditions or limitations as are herein contained or as the Board of Directors may from time to time impose in the Option or, further, as may be required by any stock exchange on which the Common Shares of the Corporation may then be listed and posted for trading. Despite any other provision of this Plan, if the expiry date of an Option falls on, or within nine (9) business days immediately following, a date upon which a holder is prohibited from exercising an Option due to a black-out period or other trading restriction imposed by the Corporation (but for certainty, not a cease trade order or other restriction imposed by any person other than the Corporation), then the expiry date of such Option will be automatically extended to the tenth (10^{th}) business day following the date the relevant black-out period or other trading restriction imposed by the Corporation is lifted, terminated or removed.