

These materials are important and require your immediate attention. The shareholders of both Paramount and Trilogy are required to make important decisions. If you have any doubt as to how to make such decisions, please contact your tax, financial, legal or other professional advisors. If you require further assistance, please do not hesitate to contact the Companies' proxy solicitor agent, D.F. King Canada, toll-free at 1-866-521-4425 (1-212-771-1133 by collect call) or by email at inquiries@dfking.com.



**NOTICE OF SPECIAL MEETINGS
TO BE HELD ON SEPTEMBER 8, 2017**

**NOTICE OF ORIGINATING APPLICATION
TO THE COURT OF QUEEN'S BENCH OF ALBERTA**

JOINT INFORMATION CIRCULAR

**CONCERNING THE MERGER
OF
PARAMOUNT RESOURCES LTD.
AND
TRILOGY ENERGY CORP.**

**The Paramount Board unanimously recommends that
Paramount Shareholders vote FOR the Paramount Merger Resolution**

**The Trilogy Board unanimously recommends that
Trilogy Shareholders vote FOR the Trilogy Arrangement Resolution**

AUGUST 8, 2017

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August 8, 2017

Dear Paramount and Trilogy Shareholders,

I am pleased to provide you with notice of a special meeting of the shareholders of Paramount Resources Ltd. and notice of a special meeting of the shareholders of Trilogy Energy Corp. At the meetings you will be asked to approve the proposed merger of Paramount and Trilogy. The merger is to be effected by way of an arrangement under the *Business Corporations Act* (Alberta), pursuant to which Paramount will acquire all of the shares of Trilogy not already owned by it in exchange for Paramount shares on the basis of one Paramount Share for every 3.75 Trilogy Shares.

The formal notices of meetings and joint information circular of Paramount and Trilogy accompany this letter. The information circular contains a detailed description of the proposed merger, including the process involved in Paramount and Trilogy agreeing to the merger, the recommendations of the Paramount and Trilogy boards of directors and the conditions required to be satisfied for the merger to be completed. Please give this material your careful consideration and, if you require assistance, consult your financial, income tax or other professional advisor.

Please ensure that your shares are represented and voted at the meeting whether or not you are able to attend. Regardless of the number of shares you hold, your vote is important. If you have any questions, you may contact D.F. King, toll-free, at 1-866-521-4425 (1-212-771-1133 by collect call) or by email at inquiries@dfking.com.

The merger is a transformational and beneficial opportunity for both companies and their shareholders and I request your support for this transaction.

Sincerely,

(Signed) "James H.T. Riddell"

Chief Executive Officer

Paramount Resources Ltd.

- and -

Trilogy Energy Corp.



PARAMOUNT RESOURCES LTD.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a special meeting (the "**Paramount Meeting**") of the holders ("**Paramount Shareholders**") of Class A Common Shares ("**Paramount Shares**") of Paramount Resources Ltd. ("**Paramount**") will be held in the Conference Centre at Centrium Place, 332 - 6th Avenue S.W., Calgary, Alberta on September 8, 2017, at 11:00 a.m. (Calgary time) for the following purposes:

- (a) to consider, and, if deemed advisable, to approve, with or without variation, an ordinary resolution (the "**Paramount Merger Resolution**") to approve the merger of Paramount and Trilogy Energy Corp. ("**Trilogy**"), including the issuance of Paramount Shares to the holders of Trilogy common shares and Trilogy non-voting shares, pursuant to an arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta), as more particularly described in the accompanying joint information circular (the "**Circular**");
- (b) conditional on the Arrangement becoming effective, to elect three additional directors of Paramount; and
- (c) to transact such further and other business as may properly be brought before the Paramount Meeting or any adjournment(s) or postponement(s) thereof.

The record date for determination of Paramount Shareholders entitled to receive notice of and to vote at the Paramount Meeting is August 4, 2017.

A registered Paramount Shareholder may attend the Paramount Meeting in person or may be represented by proxy. Registered Paramount Shareholders who are unable to attend the Paramount Meeting in person are requested to date, sign and return the accompanying form of proxy for use at the Paramount Meeting. To be effective, the applicable form of the enclosed proxy must be received by Computershare Trust Company of Canada (i) by mail, at Computershare Trust Company of Canada, Proxy Department, 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario, L4B 4R5; (ii) by facsimile, at 1-866-249-7775 within North America or 416-263-9524 outside North America; (iii) by internet, at www.investorvote.com; or (iv) by telephone, by calling 1-866-732-VOTE (8683) within North America or 312-588-4290 outside North America, at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the time set for the Paramount Meeting or any adjournment(s) or postponement(s) thereof. In order for the Paramount Shares held by beneficial Paramount Shareholders to be voted at the Paramount Meeting, such Paramount Shareholders should complete and return the voting instruction form or other authorization form provided to them by their broker or intermediary in accordance with the instructions provided therein.

Your vote is important. Please read the enclosed materials carefully. **If you have questions about any of the information or require assistance in completing your proxy form or voting instruction form, as the case may be, please contact our proxy solicitation agent, D.F. King, toll-free, at 1-866-521-4425 (1-212-771-1133 by collect call) or by email at inquiries@dfking.com.**

Dated at Calgary, Alberta this 8th day of August, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS
OF PARAMOUNT RESOURCES LTD.**

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



TRILOGY ENERGY CORP.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a special meeting (the “**Trilogy Meeting**”) of the holders (“**Trilogy Shareholders**”) of common shares (“**Trilogy Common Shares**”) and non-voting shares (together with the Trilogy Common Shares, the “**Trilogy Shares**”) of Trilogy Energy Corp. (“**Trilogy**”) will be held in the Conference Centre at Centrium Place, 332 - 6th Avenue S.W., Calgary, Alberta on September 8, 2017, at 10:00 a.m. (Calgary time) for the following purposes:

- (a) to consider, pursuant to an interim order (the “**Interim Order**”) of the Court of Queen’s Bench of Alberta dated August 8, 2017, and, if deemed advisable, to approve, with or without variation, a special resolution to approve an arrangement (the “**Arrangement**”) under Section 193 of the *Business Corporations Act* (Alberta) (the “**Act**”) providing for the merger of Trilogy and Paramount Resources Ltd., as more particularly described in the accompanying joint information circular (the “**Circular**”); and
- (b) to transact such further and other business as may properly be brought before the Trilogy Meeting or any adjournment(s) or postponement(s) thereof.

The record date for determination of Trilogy Shareholders entitled to receive notice of and to vote at the Trilogy Meeting is August 4, 2017. Registered Trilogy Shareholders may attend the Trilogy Meeting in person or may be represented by proxy. Trilogy Shareholders who are unable to attend the Trilogy Meeting in person are requested to date, sign and return the accompanying form of proxy for use at the Trilogy Meeting. To be effective, the applicable form of the enclosed proxy must be received by Computershare Trust Company of Canada (i) by mail, at Computershare Trust Company of Canada, Proxy Department, 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario, L4B 4R5; (ii) by facsimile, at 1-866-249-7775 within North America or 416-263-9524 outside North America; (iii) by internet, at www.investorvote.com; or (iv) by telephone, by calling 1-866-732-VOTE (8683) within North America or 312-588-4290 outside North America, at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the time set for the Trilogy Meeting or any adjournment(s) or postponement(s) thereof. In order for the Trilogy Shares held by beneficial Trilogy Shareholders to be voted at the Trilogy Meeting, such Trilogy Shareholders should complete and return the voting instruction form or other authorization form provided to them by their broker or intermediary in accordance with the instructions provided therein. Registered holders of Trilogy Common Shares have the right to dissent with respect to the Arrangement, and if the Arrangement is completed to be paid the fair value of their Trilogy Common Shares in accordance with the provisions of Section 191 of the Act, as modified by the Interim Order. The right to dissent of a registered holder of Trilogy Common Shares is more particularly described in the Circular. **Failure to strictly comply with the requirements set forth in Section 191 of the Act, as modified by the Interim Order, may result in the loss of any right of dissent that a registered holder of Trilogy Common Shares may otherwise have.**

Your vote is important. Please read the enclosed materials carefully. **If you have questions about any of the information or require assistance in completing your proxy form or voting instruction form, as the case may be, please contact our proxy solicitation agent, D.F. King, toll-free, at 1-866-521-4425 (1-212-771-1133 by collect call) or by email at inquiries@dfking.com.**

Your vote is important. Please read the enclosed materials carefully. If you have questions about any of the information or require assistance in completing your proxy form or voting instruction form, as the case may be, please contact our proxy solicitation agent, D.F. King, toll-free, at 1-866-521-4425 (1-212-771-1133 by collect call) or by email at inquiries@dfking.com.

Dated at Calgary, Alberta this 8th day of August, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS
OF TRILOGY ENERGY CORP.**

(signed) “*Gail L. Yester*”
Corporate Secretary

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF SECTION 193 OF THE BUSINESS CORPORATIONS ACT,
R.S.A. 2000, c. B-9, AS AMENDED

AND IN THE MATTER OF A PROPOSED ARRANGEMENT IN RESPECT OF TRILOGY ENERGY CORP.
AND ITS SHAREHOLDERS AND INVOLVING PARAMOUNT RESOURCES LTD.

NOTICE OF ORIGINATING APPLICATION

NOTICE IS HEREBY GIVEN that an originating application (the "**Application**") has been filed with the Court of Queen's Bench of Alberta, Judicial Centre of Calgary (the "**Court**") on behalf of Trilogy Energy Corp. ("**Trilogy**") with respect to a proposed arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "**Act**"), in respect of Trilogy and the holders of common shares and non-voting shares of Trilogy (collectively, the "**Trilogy Shareholders**"), which Arrangement is described in greater detail in the joint information circular dated August 8, 2017 accompanying this Notice of Originating Application. At the hearing of the Application, Trilogy intends to seek:

- 1 a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair to the Trilogy Shareholders and other affected persons, both from a substantive and procedural perspective;
- 2 an order approving the Arrangement pursuant to the provisions of Section 193 of the Act;
- 3 a declaration that the Arrangement will, upon the filing of Articles of Arrangement and the issuance of a proof of filing thereof pursuant to the provisions of Section 193 of the Act, be effective under the Act in accordance with its terms and shall be binding on and after the effective time of the Arrangement; and
- 4 such other and further orders, declarations or directions as the Court may deem just,

(collectively, the "**Final Order**").

AND NOTICE IS FURTHER GIVEN that the said Application is directed to be heard before a Justice of the Court, at the Calgary Court Centre, 601 – 5th Street, S.W., Calgary, Alberta, Canada, on September 11, 2017 at 2:30 p.m. (Calgary time) or as soon thereafter as counsel may be heard. **Any Trilogy Shareholder or other interested party desiring to support or oppose the Application may appear at the time of the hearing in person or by counsel for that purpose provided such Trilogy Shareholder or other interested party files with the Court and serves upon Trilogy on or before 5:00 p.m. (Calgary time) on August 31, 2017, a notice of intention to appear (the "Notice of Intention to Appear") setting out such Trilogy Shareholder's or interested party's address for service and indicating whether such Trilogy Shareholder or interested party intends to support or oppose the Application or make submissions, together with any evidence or materials which are to be presented to the Court.** Service on Trilogy is to be effected by delivery to its solicitors at the address set forth below.

AND NOTICE IS FURTHER GIVEN that, at the hearing and subject to the foregoing, Trilogy Shareholders and any other interested persons will be entitled to make representations as to, and the Court will be requested to consider, the fairness of the Arrangement. If you do not attend, either in person or by counsel, at that time, the Court may approve or refuse to approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court may deem fit, without any further notice.

AND NOTICE IS FURTHER GIVEN that the Court, by an interim order dated August 8, 2017 (the “**Interim Order**”), has given directions as to the calling and holding of a special meeting of the Trilogy Shareholders for the purposes of such shareholders voting upon a special resolution to approve the Arrangement and, in particular, has directed that registered holders of common shares of Trilogy have the right to dissent under the provisions of Section 191 of the Act, as modified by the terms of the Interim Order.

AND NOTICE IS FURTHER GIVEN that further notice in respect of these proceedings will only be given to those persons who have filed a Notice of Intention to Appear.

AND NOTICE IS FURTHER GIVEN that a copy of the said Application and other documents in the proceedings will be furnished to any Trilogy Shareholder or other interested party requesting the same by the under-mentioned solicitors for Trilogy upon written request delivered to such solicitors as follows:

Solicitors for Trilogy:

Norton Rose Fulbright Canada LLP
Suite 3700, 400 - 3rd Avenue S.W.
Calgary, Alberta T2P 4H2

Attention: Steven Leidl
Facsimile: (403) 264-5973

DATED at the City of Calgary, in the Province of Alberta, this 8th day of August, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS
OF TRILOGY ENERGY CORP.**

(signed) “*Gail L. Yester*”
General Counsel



JOINT INFORMATION CIRCULAR

August 8, 2017

INTRODUCTORY INFORMATION

See “*Glossary of Terms*” for the meaning assigned to certain capitalized terms in this Circular.

General

This Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of each of Paramount and Trilogy, for use at the Paramount Meeting and the Trilogy Meeting, respectively, and any adjournment(s) or postponement(s) thereof. No person has been authorized to give any information or make any representation in connection with the Arrangement other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized by either Trilogy or Paramount.

Paramount Shareholders and Trilogy Shareholders should not construe the contents of this Circular as legal, tax or financial advice and should consult with their own legal, tax, financial and other professional advisors.

The information concerning Trilogy contained or incorporated by reference in this Circular has been provided or publicly filed by Trilogy. Although Paramount has no knowledge that would indicate that any of such information is untrue or incomplete, Paramount does not assume any responsibility for the accuracy or completeness of such information or the failure by Trilogy to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to Paramount.

The information concerning Paramount contained or incorporated by reference in this Circular has been provided or publicly filed by Paramount. Although Trilogy has no knowledge that would indicate that any of such information is untrue or incomplete, Trilogy does not assume any responsibility for the accuracy or completeness of such information or the failure by Paramount to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to Trilogy.

The information concerning Apache Canada contained in this Circular has been provided by Apache Canada. Although Paramount and Trilogy have no knowledge that would indicate that any of such information is untrue or incomplete, Paramount and Trilogy do not assume any responsibility for the accuracy or completeness of such information or the failure by Apache Canada to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to Paramount and Trilogy.

All summaries of, and references to, the Arrangement in this Circular are qualified in their entirety by reference to the Arrangement Agreement, a copy of which is attached as Appendix C to this Circular, and the complete text of the Plan of Arrangement, a copy of which is attached as Schedule I to the Arrangement Agreement. **You are urged to carefully read the full text of this Circular, the Arrangement Agreement and the Plan of Arrangement.**

Information contained in this Circular is given as of August 8, 2017, unless otherwise specifically stated.

Forward-looking Statements

The Merger is a proposed transaction. Throughout this Circular, the description of the Merger, its completion and its effect on Paramount and Trilogy are made on a prospective basis and, in certain cases, are made as if the Merger is completed. The completion of the Merger is subject to a number of conditions which are described in this Circular and neither Paramount nor Trilogy can give any assurance or guarantee that the Merger will be completed even if Paramount Shareholders and Trilogy Shareholders approve the Merger. See the heading “*Risk Factors*” in this Circular.

This Circular, including documents incorporated by reference herein, contains forward-looking statements and information. The use of any of the words “expect”, “anticipate”, “continue”, “estimate”, “objective”, “ongoing”, “may”, “will”, “project”, “should”, “believe”, “plans”, “intends”, “potential” and similar expressions are intended to identify forward-looking statements or information. More particularly and without limitation, this Circular contains forward-looking statements and information concerning: the expected completion date of the Merger and satisfaction of the conditions thereto, including obtaining approval of the Paramount Shareholders and the Trilogy Shareholders, the anticipated timing of filing submissions for, and receipt of, the regulatory approvals, receipt of the necessary stock exchange approvals for listing of the Paramount Shares to be issued pursuant to the Merger, the completion of the Apache Canada Acquisition and receipt of the Final Order; the anticipated expenses of the Arrangement; the anticipated tax consequences of the Arrangement on Trilogy Shareholders; the stock exchange delisting of the Trilogy Common Shares following the Arrangement; the performance of Trilogy’s and Paramount’s respective businesses; the prospects of Trilogy should it continue as a stand-alone entity or pursue an alternative transaction; certain combined operational, production and financial information of Paramount, Apache Canada and Trilogy; Paramount’s assets, cost structure, financial position, cash flow, strategy and growth prospects following the completion of the Apache Canada Acquisition and the Merger; future project development; the ability of Paramount to realize the anticipated benefits from the Apache Canada Acquisition and the Merger, including growth prospects, cost savings, improved operating and capital efficiencies and integration opportunities; estimates of reserves and the net present value of such reserves; the board of directors and executive leadership team of Paramount following the completion of the Arrangement, and their ownership interest in Paramount following the Arrangement; and other statements that are not historical facts.

Furthermore, the combined and/or *pro forma* information set forth in this Circular should not be interpreted as indicative of the financial position or other results of operations had Paramount and Apache Canada and Trilogy operated as a combined entity as at or for the periods presented, and such information does not purport to project Paramount’s results of operations for any future period. As such, undue reliance should not be placed on such combined and/or *pro forma* information.

The forward-looking statements and information included and incorporated by reference in this Circular are based on certain expectations and assumptions made by Paramount and Trilogy, including expectations and assumptions concerning:

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

- anticipated timelines and budgets being met in respect of drilling programs and other operations; and
- general business, economic and market conditions.

Although Paramount and Trilogy believe that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on these forward-looking statements and information because Paramount and Trilogy can give no assurance that they will prove to be correct.

Forward-looking statements and information are based on expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated due to a number of factors and risks. These material risks and uncertainties related to the Merger include, but are not limited to:

- the Apache Canada Acquisition and/or the Merger may not be completed on the terms anticipated or at all;
- the conditions to and approvals for the completion of the Apache Canada Acquisition and/or the Merger not being satisfied and obtained;
- the Arrangement Agreement may be terminated in certain circumstances;
- if the Merger is not completed, Paramount's and Trilogy's future business and operations could be harmed;
- Paramount and Trilogy will incur costs in connection with the Merger even if the Merger is not completed;
- the pending Merger may divert the attention of Paramount's and Trilogy's management;
- there are risks related to the integration of Paramount's, Trilogy's and Apache Canada's existing businesses; and
- some or all of the expected benefits of the Apache Canada Acquisition and/or the Merger not being realized.

The foregoing list of material risks and uncertainties is not exhaustive and does not include the risks related to the business of Trilogy, Paramount or the companies on a combined basis. See "*Risk Factors*" in this Circular. As a result, readers should not place undue reliance on the forward-looking statements and information contained in this Circular. For more information relating to the risks that Paramount and Trilogy are subject to, see the Paramount AIF and the Trilogy AIF, copies of which are available on SEDAR at www.sedar.com under each of their respective SEDAR profiles.

The forward-looking statements and information contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements and information included in this Circular are made as of the date of this Circular and Trilogy and Paramount undertake no obligation to publicly update such information to reflect new information, subsequent events or otherwise, except as required by applicable securities law.

Reserves Terminology and Oil and Gas Measures

The following definitions and assumptions form the basis of classification for reserves presented in this Circular and the Appendices attached hereto:

- (a) Reserves are classified according to the degree of certainty associated with the estimates:
 - (i) **Proved Reserves** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

- (ii) **Probable Reserves** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- (b) Each of the reserves categories (proved and probable) may be divided into developed and undeveloped categories:
 - (i) **Developed Reserves** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
 - (ii) **Developed Producing Reserves** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
 - (iii) **Developed Non-producing Reserves** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
 - (iv) **Undeveloped Reserves** are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

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

- (a) Gross Reserves are defined as a Company's working interest reserves before deduction of any royalties and without including royalty interests.
- (b) Net Reserves are defined as a Company's working interest reserves after deduction of royalties and including royalty interests.

This Circular and the Appendices attached hereto contain disclosures expressed in "Boe/d", "Mboe" and "MMboe".

Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. The term "NGLs" means natural gas liquids and the term "liquids" means oil, condensate, ethane, propane and butane.

During the six months ended June 30, 2017, the value ratio between crude oil and natural gas was approximately 23:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value.

This Circular uses the oil and gas measure “netback”, which does not have a prescribed meaning and may not be comparable to similar measures used by other issuers. Netback equals petroleum and natural gas sales less royalties, operating costs and transportation and NGLs processing costs. Netback is commonly used by the managements of Paramount and Trilogy and investors to compare the results of the Companies’ oil and gas operations between periods.

Information for United States Shareholders

The Paramount Shares to be issued under the Arrangement will not be registered under the 1933 Act or the securities laws of any state of the United States. Such securities will instead be issued in reliance upon the exemption from registration provided by Section 3(a)(10) of the 1933 Act. The Paramount Shares to be issued under the Arrangement will be freely transferable under United States federal securities laws, except that the 1933 Act imposes restrictions on the resale of Paramount Shares received pursuant to the Arrangement by persons who are, become after the consummation of the Arrangement or within 90 days of the Effective Time have been, “affiliates” of Paramount. See *“Details of the Merger – Securities Law Matters”* in this Circular.

Both Paramount and Trilogy are companies existing under the laws of Alberta, Canada. The solicitation of proxies and the transactions contemplated in this Circular involve securities of Alberta issuers that are being effected in accordance with applicable securities laws of Alberta and Canada. The proxy solicitation rules under the *United States Securities Exchange Act of 1934*, as amended, are not applicable to either Trilogy or Paramount or this solicitation and therefore this solicitation is not being effected in accordance with U.S. securities laws. Paramount Shareholders and Trilogy Shareholders residing in the United States should be aware that this Circular has been prepared in accordance with the disclosure requirements under applicable Canadian securities laws, which may be different from such requirements under U.S. securities laws. Similarly Paramount Shareholders and Trilogy Shareholders residing in the United States should also be aware that requirements under the corporate and securities laws of Alberta and Canada may differ from the requirements under U.S. corporate and securities laws.

The enforcement by investors of civil liabilities under U.S. securities laws may be affected adversely by the fact that both Paramount and Trilogy exist under the laws of Alberta, that most of their respective officers and directors are not residents of the United States and that all or a substantial portion of each of their assets are located outside the United States. Paramount Shareholders and Trilogy Shareholders residing in the United States may not be able to sue a Canadian company or its officers or directors in a Canadian court for violations of U.S. securities laws. It may be difficult to compel a Canadian company and its affiliates to be subject to a judgment by a U.S. court.

Trilogy Shareholders should be also aware that the transactions contemplated herein may have tax consequences both in Canada and in the United States. Trilogy Shareholders who are subject to United States federal taxation should be aware that the United States tax consequences that may apply to them for participating in the Arrangement are not described in this Circular. Certain information concerning the Canadian tax consequences of the Arrangement for Trilogy Shareholders who are residents of the United States is set forth under the heading *“Certain Canadian Federal Income Tax Considerations”* in this Circular, but such consequences may not be described fully herein. All Trilogy Shareholders should consult with their legal, tax, financial and accounting advisors to determine the particular tax consequences to them of the transactions contemplated by the Arrangement.

Financial statements of Paramount and Trilogy included or incorporated by reference herein have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. IFRS differs in certain material respects from U.S. generally accepted accounting principles (“U.S. GAAP”) and, as such, our financial statements and the financial information derived therefrom may not be comparable to the financial statements and financial information of U.S. companies prepared in accordance with U.S. GAAP. As the SEC has adopted rules to accept, from foreign private issuers such as Paramount and Trilogy, financial statements prepared in accordance with IFRS without reconciliation to U.S. GAAP, this Circular does not include an explanation of the principal differences between, or any reconciliation of, IFRS and U.S. GAAP. The audited financial

statements included or incorporated by reference herein were audited in accordance with Canadian auditor independence standards, which differ from United States auditor independence standards

THE SECURITIES CONTEMPLATED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY SUCH STATE SECURITIES REGULATORY AUTHORITY PASSED ON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

GLOSSARY OF TERMS

“1933 Act” means the *United States Securities Act* of 1933, including the rules and regulations promulgated thereunder, as amended from time to time;

“Acquireco” means the wholly-owned subsidiary of Paramount that will acquire the shares of Apache Canada under the Apache Canada Acquisition Agreement;

“Acquisition Proposal” means any inquiry or the making of any proposal to a Party or its shareholders from any person or group of persons “acting jointly or in concert” (within the meaning of National Instrument 62-104 — *Take-Over Bids and Issuer Bids*) which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions): (a) an acquisition from such Party of 20% or more of the voting securities of such Party or its subsidiaries; (b) any acquisition of a substantial amount of assets (or any lease, long term supply agreement or other arrangement having the same economic effect as a purchase or sale of a substantial amount of assets) of such Party and its subsidiaries taken as a whole; (c) an amalgamation, arrangement, merger, or consolidation involving such Party or its subsidiaries; (d) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving such Party or its subsidiaries; or (e) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by the Arrangement Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to a Party under the Arrangement Agreement or the Arrangement;

“Act” means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended from time to time;

“Apache” means Apache Corporation;

“Apache Canada” means Apache Canada Ltd.;

“Apache Canada Acquisition” means the indirect acquisition by Paramount of Apache Canada pursuant to the Apache Canada Acquisition Agreement;

“Apache Canada Acquisition Agreement” means the agreement among Acquireco and certain subsidiaries of Apache Corporation dated July 6, 2017 providing for the indirect acquisition of Apache Canada by Paramount;

“ARC” means an advance ruling certificate under subsection 102(1) of the Competition Act;

“Arrangement” means the arrangement under the provisions of Section 193 of the Act on the terms and conditions set forth in the Plan of Arrangement as modified or amended in accordance with the terms of the Arrangement Agreement or the direction of the Court in the Final Order, a copy of which is attached as Schedule I to Appendix C of this Circular;

“Arrangement Agreement” means the arrangement agreement dated July 6, 2017 between Paramount and Trilogy, a copy of which is attached as Appendix C to this Circular;

“Articles of Arrangement” means the articles of arrangement of Trilogy in respect of the Arrangement required by the Act to be filed with the Registrar after the Final Order has been granted;

“Boards” means the Paramount Board and the Trilogy Board;

“CDS” means CDS Clearing and Depository Services Inc.;

“Circular” means this joint information circular of Paramount and Trilogy dated August 8, 2017 to be sent to the Paramount Shareholders and Trilogy Shareholders, respectively, in connection with the Meetings;

“COGE Handbook” means the Canadian Oil and Gas Evaluation Handbook which is published by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Petroleum Society of Canada;

“Commissioner” means the Commissioner of Competition appointed under subsection 7(1) of the Competition Act or his designee;

“Company” means Paramount or Trilogy, as the context may require, and **“Companies”** means Paramount and Trilogy;

“Competition Act” means the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

“Competition Act Approval” means, in respect of the Arrangement, the occurrence of one of the following: (i) the receipt of an ARC; or (ii) both of (A) the waiting period, including any extension thereof, under Section 123 of the Competition Act shall have expired or been terminated or the obligation to provide a pre-merger notification in accordance with Part IX of the Competition Act shall have been waived in accordance with subsection 113(c) of the Competition Act, and (B) the Parties shall have received a No Action Letter.

“Completion Deadline” means October 31, 2017;

“Court” means the Court of Queen’s Bench of Alberta;

“Deloitte” means Deloitte LLP, the independent valuator retained by the Special Committees;

“Depository” means Computershare Investor Services Inc.;

“D.F. King” means the proxy solicitation company retained by Paramount and Trilogy to act as proxy solicitation and information agent for the Meetings;

“Dissent Rights” means the rights of dissent provided for in Article 3 of the Plan of Arrangement;

“Dissenting Shareholders” means the registered holders of Trilogy Common Shares who exercise, and do not prior to the Effective Date withdraw or otherwise relinquish, the Dissent Rights;

“Effective Date” means the date on which the Arrangement becomes effective under the Act;

“Effective Time” means the time at which the Plan of Arrangement becomes effective on the Effective Date pursuant to the Act;

“Fairness Opinions” means the Paramount Fairness Opinion and the Trilogy Fairness Opinion;

“Final Order” means the final order of the Court approving the Arrangement pursuant to subsection 193(9) of the Act, as such order may be amended or modified at any time prior to the Effective Time;

“Interim Order” means the interim order of the Court concerning the Arrangement pursuant to subsection 193(4) of the Act, providing for, among other things, the calling and holding of the Trilogy Meeting, a copy of which is attached as Appendix D to this Circular;

“Letter of Transmittal” means the letter of transmittal provided to registered holders of Trilogy Shares by Trilogy pursuant to which such holders are required to deliver certificates representing their Trilogy Shares in order to receive Paramount Shares issuable pursuant to the Arrangement;

“Material Adverse Change” or **“Material Adverse Effect”** with respect to a Party means any fact or state of facts, circumstance, change (or any condition, event or development involving a prospective change), effect or occurrence which is, or would reasonably be expected to be, individually or in the aggregate, material and adverse to the business, operations, results of operations, assets, capitalization, financial condition, liabilities (whether absolute, accrued, conditional, contingent or otherwise), prospects or

properties of such Party (on a consolidated basis), other than any fact or state of facts, circumstance, change (or any condition, event or development involving a prospective change), effect or occurrence resulting from:

- (i) a matter that has been publicly disclosed by such Party or otherwise expressly disclosed in writing by such Party to the other Party prior to the date of the Arrangement Agreement;
- (ii) conditions affecting the oil and gas exploration, exploitation, development and production industry as a whole, and not specifically relating to such Party;
- (iii) general economic, financial, currency exchange, securities or commodity market conditions in Canada or elsewhere;
- (iv) any decline in the market price for crude oil, natural gas or related hydrocarbons on a current or forward basis;
- (v) compliance with the terms of the Arrangement Agreement or any action or inaction taken by such Party that is consented to by the other Party expressly in writing or that is a result therefrom;
- (vi) the announcement of the execution of the Arrangement Agreement or the transactions contemplated thereby;
- (vii) any change in the market price or trading volume of the Paramount Shares, with respect to Paramount, or the Trilogy Common Shares, with respect to Trilogy;
- (viii) changes in laws (including laws related to taxes), GAAP or interpretation, application or non-application of laws by Governmental Entities and not specifically related to such Party; or
- (ix) any natural disaster, act of terrorism or military action, or any outbreak of hostilities or war (whether or not declared), or any escalation or worsening of such acts;

"McDaniel" means McDaniel & Associates Consultants Ltd.;

"Meetings" means the Paramount Meeting and the Trilogy Meeting;

"Merger" means the combination of Paramount and Trilogy pursuant to the Arrangement;

"MI 61-101" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

"No Action Letter" means written confirmation from the Commissioner stating that the Commissioner does not, at that time, intend to make an application under section 92 of the Competition Act in respect of the Arrangement;

"Notice of Originating Application" means the notice of originating application by Trilogy to the Court for the Final Order which accompanies this Circular;

"Paramount" means Paramount Resources Ltd., a corporation incorporated under the Act;

"Paramount AIF" means the annual information form of Paramount for the year ended December 31, 2016 dated March 8, 2017 incorporated by reference into this Circular;

"Paramount Annual MD&A" means the managements' discussion and analysis of Paramount for the year ended December 31, 2016;

"Paramount Board of Directors" or **"Paramount Board"** means the board of directors of Paramount as it may be comprised from time to time;

"Paramount Board Constitution Resolution" means the ordinary resolution of the Paramount Shareholders to approve, conditional on the Arrangement becoming effective, the election of the individuals outlined under the heading *"Matters to be Acted Upon at the Paramount Meeting – Approval of the Paramount Board Constitution Resolution"* as additional members of the Paramount Board in the form set out in Appendix A to this Circular;

"Paramount Fairness Opinion" means the fairness opinion of Deloitte dated July 6, 2017 delivered to the Paramount Special Committee, a copy of which is attached as Appendix F to this Circular;

"Paramount Interim MD&A" means the management's discussion and analysis of Paramount for the three and six month period ended June 30, 2017;

"Paramount Interested Parties" means Clayton H. Riddell (and all entities controlled by him), the directors and senior officers of Trilogy and any other person who is an "interested party" in relation to Paramount with respect to the Merger within the meaning of MI 61-101;

"Paramount Meeting" means the special meeting of the Paramount Shareholders (including any adjournment(s) or postponement(s) thereof) to be called and held to consider and, if thought fit, to approve the Paramount Merger Resolution and the Paramount Board Constitution Resolution;

"Paramount Merger Resolution" means the ordinary resolution of the Paramount Shareholders to authorize and approve the merger of Paramount and Trilogy, including the issuance by Paramount of the Paramount Shares to the Trilogy Shareholders pursuant to the Arrangement in the form set out in Appendix A to this Circular;

"Paramount Shares" means Class A Common Shares of Paramount;

"Paramount Shareholders" means the holders of Paramount Shares;

"Paramount Special Committee" means the special committee of independent directors of the Paramount Board, consisting of James Bell, John Gorman and John Roy;

"Paramount Valuation" means the formal valuation of the Paramount Shares prepared by Deloitte;

"Paramount Valuation Report" means the written valuation report of Deloitte dated July 6, 2017 regarding the Paramount Valuation with a valuation effective date as of June 1, 2017;

"Party" means either Paramount or Trilogy;

"person" means an individual, partnership, association, body corporate, trust, unincorporated organization, government, regulatory authority, or other entity;

"Plan of Arrangement" means the plan of arrangement as set out in Schedule I to the Arrangement Agreement and any amendment or variation thereto made in accordance with the terms of the Arrangement Agreement or the direction of the Court in the Final Order;

"Registrar" means the Registrar of Corporations or a Deputy Registrar of Corporations for the Province of Alberta, duly appointed under the Act;

"Shareholders" means the Paramount Shareholders and the Trilogy Shareholders;

“Special Committees” means, collectively, the Paramount Special Committee and the Trilogy Special Committee;

“Superior Proposal” means a written bona fide Acquisition Proposal, that did not result from or involve a breach of Section 5.1(a) of the Arrangement Agreement, which the board of directors of the Party subject to the Acquisition Proposal determines (upon recommendation by the Trilogy Special Committee, in the case of Trilogy, and the Paramount Special Committee, in the case of Paramount) in good faith: (1) that the funds or other consideration necessary to complete the Acquisition Proposal are or are reasonably likely to be available to fund completion of the Acquisition Proposal at the time and on the basis set out therein; (2) after consultation with its financial advisor(s), would or would be reasonably likely to, if consummated in accordance with its terms, result in a transaction financially superior for shareholders of such Party to the transaction contemplated by the Arrangement Agreement; (3) after consultation with its financial advisor(s) and outside counsel, is reasonably likely to be consummated at the time and on the terms proposed, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal; and (4) after receiving the advice of outside counsel, as reflected in minutes of the board of directors of such Party, that the taking of such action is necessary for the board of directors of the Party subject to the Acquisition Proposal to act in a manner consistent with its fiduciary duties under applicable laws;

“Tax Act” means the *Income Tax Act*, (Canada) R.S.C. 1985 c.1 (5th Supp.) and the regulations promulgated thereunder, each as amended;

“Trilogy” means Trilogy Energy Corp., a corporation incorporated under the Act;

“Trilogy AIF” means the annual information form of Trilogy for the year ended December 31, 2016 dated March 7, 2017 incorporated by reference into this Circular;

“Trilogy Annual MD&A” means the management’s discussion and analysis of Trilogy for the year ended December 31, 2016;

“Trilogy Arrangement Resolution” means the special resolution of the Trilogy Shareholders approving the Arrangement to be considered at the Trilogy Meeting, the full text of which is attached as Appendix B to this Circular;

“Trilogy Board of Directors” or **“Trilogy Board”** means the board of directors of Trilogy as it may be comprised from time to time;

“Trilogy Common Shareholders” means the holders of Trilogy Common Shares;

“Trilogy Common Shares” means common shares of Trilogy;

“Trilogy Fairness Opinion” means the fairness opinion of Deloitte dated July 6, 2017 delivered to the Trilogy Special Committee, a copy of which is attached as Appendix G to this Circular;

“Trilogy Interested Parties” means Paramount, Clayton H. Riddell (and all entities controlled by him), the directors and senior officers of Paramount and any other person who is an “interested party” in relation to Trilogy with respect to the Merger within the meaning of MI 61-101;

“Trilogy Interim MD&A” means the management’s discussion and analysis for the three and six month period ended June 30, 2017;

“Trilogy Meeting” means the special meeting of the Trilogy Shareholders (including any adjournment(s) or postponement(s) thereof) to be called and held to consider and, if thought fit, to approve the Arrangement;

“Trilogy Non-Voting Shares” means the non-voting shares of Trilogy;

“Trilogy Option Plan” means the share option plan of Trilogy in place as of the date hereof;

“Trilogy Option Support Agreement” means the support agreement to be entered into between Paramount and Trilogy at or prior to the Effective Time to provide for, among other things, the delivery of Paramount Shares to Trilogy Optionholders upon exercise of Trilogy Options following the Effective Time;

“Trilogy Optionholder” means the holders of Trilogy Options;

“Trilogy Options” means the outstanding options to acquire Trilogy Common Shares issued by Trilogy pursuant to the Trilogy Option Plan;

“Trilogy Shareholders” means the holders of Trilogy Common Shares and Trilogy Non-Voting Shares;

“Trilogy Shares” means the Trilogy Common Shares and Trilogy Non-Voting Shares;

“Trilogy Special Committee” means the special committee of independent directors of the Trilogy Board, consisting of R. Keith Macleod, Robert M. MacDonald and Wilfred A. Gobert;

“Trilogy Valuation” means the formal valuation of the Trilogy Shares prepared by Deloitte;

“Trilogy Valuation Report” means the written valuation report of Deloitte dated July 6, 2017 regarding the Trilogy Valuation with a valuation effective date as of June 1, 2017;

“TSX” means the Toronto Stock Exchange;

“Valuation Reports” means the Paramount Valuation Report and the Trilogy Valuation Report; and

“Valuations” means the Paramount Valuation and the Trilogy Valuation.

Other terms are defined in the sections of this Circular in which they are used.

All dollar amounts in this Circular are expressed in Canadian dollars, unless otherwise noted.

SUMMARY

The following is a summary of the contents of this Circular. This summary is provided for convenience only and the information contained in this summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information contained in this Circular including the appendices which are incorporated herein and form part of this Circular. Certain terms used herein and not otherwise defined are defined in the "Glossary of Terms".

The Meetings

The Paramount Meeting will be held in the Conference Centre at Centrium Place, 332 - 6th Avenue S.W., Calgary, Alberta on September 8, 2017, at 11:00 a.m. (Calgary time). The Trilogy Meeting will be held in the Conference Centre at Centrium Place, 332 - 6th Avenue S.W., Calgary, Alberta on September 8, 2017, at 10:00 a.m. (Calgary time).

The Paramount Meeting has been called to consider, and if thought appropriate, to pass the Paramount Merger Resolution and the Paramount Board Constitution Resolution. The Trilogy Meeting has been called to consider and, if thought appropriate, to pass the Trilogy Arrangement Resolution.

The Merger

The Merger is to be effected by way of the Arrangement. If the Paramount Merger Resolution is approved by the requisite majority of Paramount Shareholders, and if the Trilogy Arrangement Resolution is approved by the requisite majorities of Trilogy Shareholders and by the Court, and, subject to the other conditions described under "*Details of the Merger – Procedure for the Arrangement to Become Effective*", the Arrangement will be implemented pursuant to the terms of the Plan of Arrangement and the Arrangement Agreement. The Plan of Arrangement is set out as Schedule I to the Arrangement Agreement, which is attached as Appendix C to this Circular.

The Arrangement provides for the acquisition by Paramount of all of the Trilogy Shares not already owned by it in exchange for Paramount Shares, on the basis of one Paramount Share for every 3.75 Trilogy Shares.

Apache Canada Acquisition

The Merger is being effected in conjunction with, and is conditional upon the completion of, the Apache Canada Acquisition. See "*The Merger – Background*", Appendix H – "*Information Concerning Paramount Resources Ltd.*" and Appendix J – "*Information Concerning Apache Canada Ltd.*"

Selected *Pro-Forma* Information Relating to Paramount after Giving Effect to the Apache Canada Acquisition and the Merger

Pro Forma Operational Information

Sales volumes and netbacks for Paramount, Apache Canada and Trilogy for the three months ended June 30, 2017 and on a *pro forma* basis after giving effect to the Apache Canada Acquisition and the Merger are as follows:

	Paramount	Apache Canada ⁽¹⁾	Trilogy	<i>Pro forma</i>
Sales Volumes (Boe/d)	18,367	39,038	21,669	79,074
% liquids	52%	26%	36%	35%
Netback⁽²⁾ (\$ millions)	35.1	27.5	35.2	97.8

Notes:

- (1) Sales volumes and netback information provided by Apache Canada. Excludes sales volumes and netbacks associated with Apache Canada's Midale, House Mountain and Provost properties, which have either been sold, or are subject to an agreement to be sold, by Apache Canada.
- (2) Netback equals petroleum and natural gas sales less royalties, operating costs and transportation and NGLs processing costs.

Pro Forma Reserves

The following tables set forth the proved and proved plus probable gross reserves for Paramount, Apache Canada and Trilogy and on a *pro forma* basis after giving effect to the Apache Canada Acquisition and the Merger as at June 1, 2017:

	Proved ⁽¹⁾⁽⁵⁾			
	Paramount ⁽²⁾	Apache Canada ⁽³⁾	Trilogy	<i>Pro forma</i>
Natural Gas (Bcf)	292.0	661.7	347.2	1,300.9
NGLs (Mbbbl) ⁽⁴⁾	33,959	54,968	19,531	108,458
Light and Medium Crude Oil (Mbbbl)	771	2,943	15,837	19,551
Total (Mboe)	83,400	168,193	93,238	344,831

See notes below.

	Proved Plus Probable ⁽¹⁾⁽⁵⁾			
	Paramount ⁽²⁾	Apache Canada ⁽³⁾	Trilogy	<i>Pro forma</i>
Natural Gas (Bcf)	530.9	1,124.6	595.3	2,250.8
NGLs (Mbbbl) ⁽⁴⁾	56,798	97,129	40,218	194,145
Light and Medium Crude Oil (Mbbbl)	1,098	3,760	25,629	30,487
Total (Mboe)	146,377	288,320	165,059	599,756

Notes:

- (1) Reserves evaluated by McDaniel as of June 1, 2017. Volumes disclosed are working interest reserves before royalty deductions. See "Introductory Information - Oil and Gas Measures" in this Circular.
- (2) Paramount's reserves volumes exclude probable bitumen reserves related to its oil sands properties.
- (3) Excludes reserves volumes associated with Apache Canada's Midale, House Mountain and Provost properties, which have either been sold, or are subject to an agreement to be sold, by Apache Canada.
- (4) NGLs means ethane, propane, butane, pentanes plus and condensate.
- (5) Columns and rows may not add due to rounding.

The following table summarizes the net present value of estimated future net revenue before tax of estimated reserves for Paramount, Apache Canada and Trilogy and on a *pro forma* basis after giving effect to the Apache Canada Acquisition and the Merger as at June 1, 2017:

(\$ millions)	Discounted at 10% ⁽¹⁾⁽²⁾			
	Paramount ⁽³⁾	Apache Canada ⁽⁴⁾	Trilogy	<i>Pro forma</i>
Total Proved	757.9	1,137.7	835.9	2,731.5
Total Probable	435.9	1,006.9	765.2	2,208.0
Total Proved plus Probable	1,193.8	2,144.6	1,601.1	4,939.5

(1) Reserves evaluated by McDaniel as of June 1, 2017. See "Introductory Information - Oil and Gas Measures" in this Circular.

(2) The estimated net present values of future net revenue disclosed in this Circular do not represent fair market value. Revenues and expenditures were calculated based on McDaniel's forecast prices and costs as of April 1, 2017. See Appendix H – "Information Concerning Paramount Resources Ltd.", Appendix I – "Information Concerning Trilogy Energy Corp." and Appendix J "Information Concerning Apache Canada Ltd."

(3) Excludes Paramount's oil sands properties.

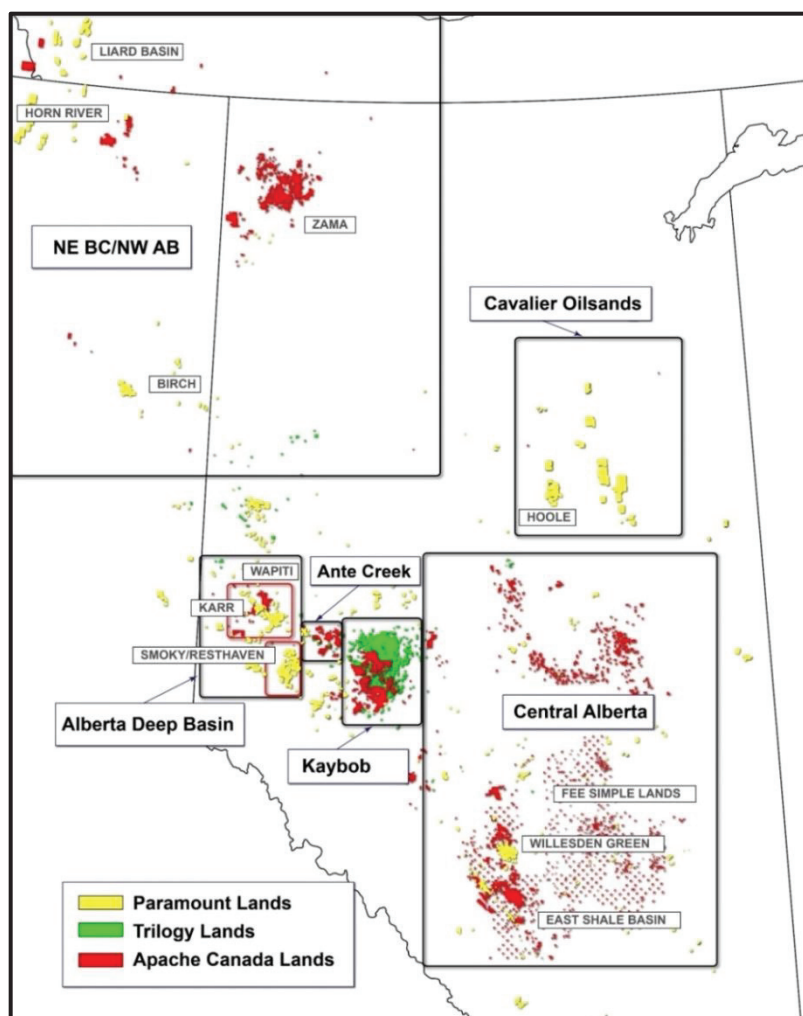
(4) Excludes reserves volumes associated with Apache Canada's Midale, House Mountain and Provost properties, which have either been sold, or are subject to an agreement to be sold, by Apache Canada.

Pro Forma Financial Information

Pro forma consolidated financial information of Paramount, after giving effect to the Apache Canada Acquisition and the Merger, is contained in the unaudited *pro forma* consolidated financial statements of Paramount for the year ended December 31, 2016 and as at and for the six months ended June 30, 2017 included in Appendix K to this Circular. Adjustments made in the preparation of the unaudited *pro forma* consolidated financial statements of Paramount are based on certain assumptions. Both the adjustments and the assumptions made in respect thereof are described in the notes to the unaudited *pro forma* consolidated financial statements. The unaudited *pro forma* consolidated financial statements are presented for illustrative purposes only and are not necessarily indicative of: (i) the operating or financial results that would have occurred had the Apache Canada Acquisition and the Merger actually occurred at the dates assumed in the unaudited *pro forma* consolidated financial statements; or (ii) the results expected in future periods.

Paramount Post-Closing Oil & Gas Properties

The map below outlines the location of Apache Canada's and Trilogy's lands in relation to Paramount's lands, all of which will be owned by Paramount following the closing of the Apache Canada Acquisition and the Merger:



Special Committee Review and Recommendations to the Boards

The Merger constitutes a “business combination” for Trilogy and a “related party transaction” for Paramount under MI 61-101. See “*Details of the Merger – Securities Law Matters*”. The Paramount Board and the Trilogy Board established special committees of independent directors to review the potential merger of Paramount and Trilogy and to make recommendations to their respective boards with respect to the transaction.

Paramount

For details of the process followed by the Paramount Special Committee prior to it making its recommendations to the Paramount Board with respect to the Merger, see “*The Merger – Deliberations and Recommendations of the Special Committees – Paramount Special Committee*”. At a Paramount Board meeting held on July 5, 2017, the Paramount Special Committee, having taken into account the formal valuation and fairness conclusions of Deloitte, advice of its independent financial and legal

advisors and other relevant matters, recommended to the Paramount Board that it approve the Arrangement Agreement.

In making its determination that the Merger is fair, from a financial point of view, to the Paramount Shareholders and is in the best interests of Paramount and the Paramount Shareholders and in making its recommendations to the Paramount Board, the Paramount Special Committee considered and relied upon a number of factors. See "*The Merger – Deliberations and Recommendations of the Special Committees – Paramount Special Committee – Reasons for the Paramount Special Committee Recommendations*". Following are some of the key factors that were considered and relied upon by the Paramount Special Committee in making its recommendations to the Paramount Board:

- The Merger establishes Paramount as a leading Montney producer in Canada with one of the largest Duvernay positions in the industry;
- The complementary nature of the assets of Paramount, Trilogy and Apache Canada allows for an efficient optimization of the assets, synergies in field operations, general administrative expenses and capital expenditures, as well as the optimizing of processing and transportation infrastructure and commitments;
- The Merger gives Paramount substantial capital allocation flexibility among its core operating areas; and
- The valuation conclusions of Deloitte and the fairness opinion received from Deloitte that the consideration to be paid by Paramount is fair, from a financial point of view, to the Paramount Shareholders.

Trilogy

For details of the process followed by the Trilogy Special Committee prior to it making its recommendations to the Trilogy Board with respect to the Merger, see "*The Merger – Deliberations and Recommendations of the Special Committees – Trilogy Special Committee*". At a Trilogy Board meeting held on July 5, 2017, the Trilogy Special Committee, having taken into account the formal valuation and fairness conclusions of Deloitte, advice of its independent financial and legal advisors and other relevant matters, recommended to the Trilogy Board that it approve the Arrangement Agreement.

In making its determination that the Merger is fair, from a financial point of view, to the Trilogy Shareholders and is in the best interests of Trilogy and the Trilogy Shareholders and in making its recommendations to the Trilogy Board, the Trilogy Special Committee considered and relied upon a number of factors. See "*The Merger – Deliberations and Recommendations of the Special Committees – Trilogy Special Committee – Reasons for the Trilogy Special Committee Recommendations*". Following are some of the key factors that were considered and relied upon by the Trilogy Special Committee in making its recommendations to the Trilogy Board:

- Since the fourth quarter of 2014 and continuing through 2017, oil prices have experienced a significant decline which has resulted in depressed and discounted share prices for many oil and gas companies, including Trilogy. Depressed oil and natural gas prices have also negatively impacted Trilogy's cash flow from operations. Although Trilogy has funds available under its credit facilities to continue to develop its assets, the Trilogy Special Committee did not believe that it would be prudent to increase Trilogy's debt levels in the face of forecasted cash flows;
- Based on the outcome of an engagement with a financial advisor to solicit bids from interested parties on assets that represent a material portion of Trilogy's oil and natural gas assets, it was determined that an asset sale in the current market was not expected to result in greater value to the Trilogy Shareholders than the Merger;

- The valuation conclusions of Deloitte and the fairness opinion received from Deloitte that the consideration to be received by the Trilogy Shareholders is fair, from a financial point of view, to the Trilogy Shareholders; and
- Based on the 10-day volume weighted average trading prices of the Trilogy Shares and the Paramount Common Shares for the period ended July 4, 2017, the exchange ratio imputed a premium for the Trilogy Shares.

Each of the Special Committees considered the benefits of the Merger to their respective Shareholders described under “*The Merger – Benefits of the Merger*” and also considered a number of the potential risks and negative factors relating to the Merger.

After considering the recommendations and the factors considered by the respective Special Committees, the boards of directors of Paramount and Trilogy adopted the recommendations of their Special Committees and approved the Arrangement Agreement.

Valuations and Fairness Opinions

The Special Committees jointly retained Deloitte as independent valuator to provide certain financial advisory services, including the preparation of formal valuations of the Paramount Shares and the Trilogy Shares in accordance with MI 61-101 and to provide its opinions on the fairness of the consideration under the Arrangement, from a financial point of view, to both the Paramount Shareholders and the Trilogy Shareholders.

In the Valuations, Deloitte determined that the fair market value of the Paramount Shares and the Trilogy Shares as at June 1, 2017, being the effective date of the Valuations, was in the range of \$20.10 to \$24.10 per Paramount Share and \$5.50 to \$6.70 per Trilogy Share. The Valuations are subject to the assumptions, restrictions, and qualifications as set out in the Valuation Reports. Deloitte provided its fairness opinions to the Special Committees to the effect that the consideration under the Arrangement of one Paramount Share for every 3.75 Trilogy Shares is fair, from a financial point of view, to the Paramount Shareholders and the Trilogy Shareholders. The full text of the Fairness Opinions are attached to this Circular as Appendix F and G. The Valuations are summarized in this Circular and will be available on the respective profiles of Paramount and Trilogy at www.sedar.com. See “*The Merger – Formal Valuations and Fairness Opinions*”.

Deloitte provided the Valuations and Fairness Opinions exclusively for the use of the Special Committees and the Boards in connection with their consideration of the Arrangement and they are not to be used or relied upon except in accordance with Deloitte’s prior written consent, which has been obtained for the purposes of the inclusion of the Fairness Opinions and the summary of the Valuations in this Circular. The Valuations and Fairness Opinions are not a recommendation as to how a Paramount Shareholder or a Trilogy Shareholder should vote with respect to the Merger, the Arrangement or any other matter. The Paramount Board and the Trilogy Board urges the Paramount Shareholders and the Trilogy Shareholders to read the Valuations and Fairness Opinions carefully and in their entirety.

Recommendations of the Boards of Directors

The Paramount Board unanimously recommends that the Paramount Shareholders vote FOR the Paramount Merger Resolution.

The Trilogy Board unanimously recommends that the Trilogy Shareholders vote FOR the Trilogy Arrangement Resolution.

Details of the Merger

The following is a summary only of the Merger and reference should be made to the full text of the Arrangement Agreement and the Plan of Arrangement set forth in Appendix C to this Circular, including Schedule I thereto.

If the Merger is completed, holders of Trilogy Shares will receive one Paramount Share for every 3.75 Trilogy Shares held. The Arrangement will be effected pursuant to the terms and conditions of the Arrangement Agreement. The Arrangement Agreement contains covenants, representations and warranties of and from each of Paramount and Trilogy and various conditions precedent, both mutual and for the sole benefit of each of Paramount and Trilogy. See “*Details of the Merger – The Arrangement Agreement*”.

Pursuant to the Plan of Arrangement, no fractional Paramount Shares will be issued upon the exchange of Trilogy Shares. Where the aggregate number of Paramount Shares to be issued to a former registered Trilogy Shareholder would result in a fraction of a Paramount Share being issued, such registered Trilogy Shareholder shall receive, in lieu of such fractional share, the nearest whole number of Paramount Shares, as applicable. For greater certainty, where such fractional interest is greater than or equal to 0.5, the number of Paramount Shares to be issued will be rounded up to the nearest whole number and where such fractional interest is less than 0.5, the number of Paramount Shares to be issued will be rounded down to the nearest whole number.

As of July 31, 2017 there were 105,312,350 Trilogy Common Shares and 20,835,862 Trilogy Non-Voting Shares outstanding. Paramount owns 12,755,845 Trilogy Common Shares and 6,388,490 Trilogy Non-Voting Shares. Accordingly, based on the Trilogy Shares outstanding as of July 31, 2017, Paramount will issue 28,534,367 Paramount Shares (subject to rounding) to acquire all of the outstanding Trilogy Shares not owned by it.

Paramount and Trilogy agreed in the Arrangement Agreement that neither Party will solicit an Acquisition Proposal. However, either Party may, prior to the receipt of required approvals of the Paramount Merger Resolution or Trilogy Arrangement Resolution, as applicable, enter into or participate in any discussions or negotiations, or enter into a definitive agreement, with a third party who, without any solicitation, seeks to initiate such discussions or negotiations. The Arrangement Agreement provides either Paramount or Trilogy must reimburse the other Party for expenses incurred in connection with the Arrangement in certain circumstances if the Merger is not completed, including in the case of the termination of the Arrangement Agreement by either Party to accept or enter into an agreement regarding a Superior Proposal.

Treatment of Trilogy Options

In accordance with the terms of the Trilogy Option Plan, the Trilogy Board has authorized the amendment of the Trilogy Options effective immediately after the completion of the Merger so that they will entitle Trilogy Optionholders to acquire the number of Paramount Shares determined by dividing the number of Trilogy Common Shares subject to such Trilogy Options by 3.75 at an adjusted exercise price equal to the exercise price of such Trilogy Options multiplied by 3.75, provided that, if necessary, the exercise price of the amended Trilogy Options shall be increased to satisfy the requirements of subsection 7(1.4) of the Tax Act. As at July 31, 2017, there were 5,166,720 Trilogy Options outstanding. Accordingly, up to 1,377,792 million Paramount Shares will be issuable pursuant to the Trilogy Options following completion of the Merger.

Procedure for the Arrangement to Become Effective

Procedural Steps

The following procedural steps must be concluded for the Arrangement to become effective:

- (a) the Trilogy Arrangement Resolution must be approved by the Trilogy Shareholders at the Trilogy Meeting in the manner set forth in the Interim Order;
- (b) the Paramount Merger Resolution must be approved by the Paramount Shareholders at the Paramount Meeting in the manner set forth under MI 61-101 and the requirements of the TSX;
- (c) the Arrangement must be approved by the Court pursuant to the Final Order;
- (d) the Competition Act Approval and all other material consents shall have been obtained on terms and conditions acceptable to Paramount and Trilogy;
- (e) the Apache Canada Acquisition shall have been completed substantially on the terms of the Apache Canada Acquisition Agreement;
- (f) all conditions precedent to the Arrangement as set forth in the Arrangement Agreement must be satisfied or waived by the appropriate parties; and
- (g) the Final Order and Articles of Arrangement, in the form prescribed by the Act, must be filed with the Registrar.

The Arrangement will become effective on the Effective Date.

Trilogy Shareholder Approval

In order for the Arrangement to be implemented, the Trilogy Arrangement Resolution approving the Arrangement must be passed by the required majority of Trilogy Shareholders. The Interim Order provides that the majorities necessary to pass the Trilogy Arrangement Resolution shall be: (a) two-thirds of the votes cast at the Trilogy Meeting by all Trilogy Shareholders voting as a single class and (b) a majority of the votes cast at the Trilogy Meeting by the Trilogy Common Shareholders other than the Trilogy Interested Parties. See “*Details of the Merger – Key Approvals*” and “*Details of the Merger – Securities Law Matters*”.

Paramount Shareholder Approval

In order for the Arrangement to be implemented, the Paramount Merger Resolution approving the Merger, including the issuance of the Paramount Shares to the Trilogy Shareholders, must be passed by the required majority of Paramount Shareholders. Pursuant to MI 61-101 and the requirements of the TSX, the majority necessary to pass the Paramount Merger Resolution is a majority of the votes cast at the Paramount Meeting by all Paramount Shareholders other than (a) the Paramount Interested Parties and (b) Paramount directors and senior officers who hold Trilogy Shares. See “*Details of the Merger – Key Approvals*” and “*Details of the Merger – Securities Law Matters*”.

Court Approval

Pursuant to the Act, the implementation of the Arrangement is subject to approval by the Court. Prior to the mailing of this Circular, Trilogy obtained the Interim Order providing for the calling and holding of the Trilogy Meeting and other procedural matters. Subject to approval of the Arrangement by the Trilogy Shareholders at the Trilogy Meeting, the hearing in respect of the Final Order is scheduled to take place on September 11, 2017 at 2:30 p.m. (Calgary time) in the Court or as soon thereafter as counsel may be

heard. All Trilogy Shareholders and other interested parties have the right to participate in, be represented at or to present evidence or arguments at the hearing in respect of the Final Order subject to serving and filing a Notice of Intention to Appear as set out in the Notice of Originating Application for the Final Order and satisfying any other applicable requirements. At the hearing of the application in respect of the Final Order, the Court will consider, among other things, the fairness of the Arrangement to the Trilogy Shareholders. The Court may approve the Arrangement as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court deems fit.

Apache Canada Acquisition

The Arrangement Agreement provides that the completion of the Apache Canada Acquisition is a condition precedent to the Arrangement. The Apache Canada Acquisition is expected to close on or about August 16, 2017. See “*The Merger – Background*”, Appendix H – “*Information Concerning Paramount Resources Ltd.*” and Appendix J – “*Information Concerning Apache Canada Ltd.*”

Timing

If the Meetings are held as scheduled and are not adjourned or postponed and the other necessary conditions of the Arrangement are satisfied or waived, Trilogy will apply to the Court for the Final Order approving the Arrangement on September 11, 2017. If the Final Order is obtained in form and substance satisfactory to Paramount and Trilogy, and all other conditions specified are satisfied or waived, Paramount and Trilogy expect the Merger will be completed on or about September 11, 2017. However, it is not possible to state conclusively when the Merger will occur.

Certain Canadian Federal Income Tax Considerations

This Circular contains a summary of certain Canadian federal income tax considerations generally applicable to certain Trilogy Shareholders who, under the Arrangement, dispose of one or more Trilogy Shares. See the discussion under the section titled “*Certain Canadian Federal Income Tax Considerations*”. Trilogy Shareholders should consult their own tax advisors for advice with respect to the Canadian federal income tax consequences to them in respect of the Arrangement.

This Circular does not address any tax considerations of the Arrangement other than certain Canadian federal income tax considerations. Trilogy Shareholders who are resident in (or citizens of) jurisdictions other than Canada should consult their tax advisors with respect to the tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions and with respect to the tax implications in such jurisdictions of receiving and holding Paramount Shares. Trilogy Shareholders should also consult their own tax advisors regarding provincial, state, local or territorial tax considerations of the Arrangement or of receiving and holding Paramount Shares.

Letter of Transmittal

Enclosed with this Circular is a Letter of Transmittal, which, when properly completed and returned together with the certificate or certificates representing Trilogy Shares and all other required documents, will enable each Trilogy Shareholder to obtain the certificates representing the Paramount Shares to which they are entitled under the Arrangement. Additional copies of the Letter of Transmittal are available by contacting the Depositary at the numbers listed thereon. The Letter of Transmittal is also filed under Trilogy’s SEDAR profile at www.sedar.com.

Any certificates formerly representing Trilogy Shares that are not deposited with all other documents as required by the Plan of Arrangement on or before the fourth anniversary of the Effective Date shall cease to represent a right or a claim of any kind or nature as a shareholder of Paramount. On such date, the Paramount Shares to which the former holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered to Paramount, together with all entitlements

to dividends or distributions thereon held for such former registered holder, for no consideration, and such shares and rights shall thereupon be cancelled and the name of the former registered holder shall be removed from the register of holders of such shares.

Trilogy Shareholders whose Trilogy Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee must contact such person for instructions and assistance in delivering certificates representing their Trilogy Shares to the Depositary.

Rights of Dissenting Shareholders

Under the Plan of Arrangement and pursuant to the Interim Order, a registered Trilogy Common Shareholder is entitled to dissent in respect of the Trilogy Arrangement Resolution and, if the Arrangement is completed, to be paid by Paramount the fair value of that Dissenting Shareholder's Trilogy Common Shares as determined by the Court, if Trilogy has received from that Dissenting Shareholder a written objection to the Trilogy Arrangement Resolution addressed to Trilogy at Suite 3700, 400 – 3 Avenue S.W., Calgary, Alberta T2P 4H2, Attention: Steven Leidl by 5:00 p.m. on September 6, 2017, being the second business day immediately preceding the date of the Trilogy Meeting, or the second business day immediately preceding the date of any adjournment(s) or postponement(s) of the Trilogy Meeting and that Dissenting Shareholder has otherwise complied with the procedures set forth in section 191 of the Act. Provided that the Arrangement becomes effective, each Dissenting Shareholder will be entitled to be paid by Paramount the fair value of the Trilogy Common Shares in respect of which that Dissenting Shareholder dissents in accordance with the procedures set forth in section 191 of the Act. The Arrangement Agreement provides that Paramount's obligation to complete the Arrangement is subject to Trilogy Common Shareholders holding not more than 5% of the issued and outstanding Trilogy Shares having exercised their right of dissent. See *"Details of the Merger – Dissent Rights"*.

Trading Information

The Trilogy Common Shares are listed on the TSX. The last price at which Trilogy Common Shares traded on the TSX prior to the announcement of the proposed merger was \$4.54. The Paramount Shares are listed on the TSX. The last price at which Paramount Shares traded on the TSX prior to the announcement of the proposed merger was \$18.74. See Appendix H – *"Information Concerning Paramount Resources Ltd."* and Appendix I – *"Information Concerning Trilogy Energy Corp."* for the twelve month trading history of each of Paramount and Trilogy.

Risk Factors

There are risks associated with the Arrangement and in holding Paramount Shares following the Arrangement. Paramount Shareholders and Trilogy Shareholders should carefully consider the risk factors listed under *"Other Information Relating to the Merger - Risks Factors"* in this Circular and the risk factors contained in the Paramount AIF, the Paramount Annual MD&A, the Paramount Interim MD&A, the Trilogy AIF, the Trilogy Annual MD&A and the Trilogy Interim MD&A, each of which are incorporated herein by reference.

THE MERGER

Overview

On July 6, 2017, Paramount and Trilogy entered into the Arrangement Agreement, which provides for the merger of Paramount and Trilogy by way of the Arrangement. The purpose of the Merger is to combine the businesses of Paramount and Trilogy. Pursuant to the Arrangement, Paramount will acquire all of the Trilogy Shares not already owned by it in exchange for Paramount Shares, on the basis of one Paramount Share for every 3.75 Trilogy Shares.

The Merger is being conducted in conjunction with the Apache Canada Acquisition, which is expected to be completed on or about August 16, 2017. The completion of the Merger is conditional upon, among other things, the Apache Canada Acquisition being completed.

The Arrangement Agreement, a copy of which is attached as Appendix C to this Circular, sets out the steps to be taken by the parties to the Arrangement Agreement to prepare for and implement the Arrangement. The Arrangement Agreement contains covenants, representations and warranties of and from each of the parties to the Arrangement Agreement, and contains various closing conditions which must be satisfied or waived in order for the Arrangement to be completed. The steps in the Arrangement are set forth in the Plan of Arrangement which is attached to the Arrangement Agreement as Schedule I. The description in this Circular of the Merger and the Arrangement Agreement is qualified in its entirety by reference to the full text of the Plan of Arrangement and the Arrangement Agreement.

Background to the Merger

History of Trilogy and Relationship with Paramount

In 2005, Paramount created Trilogy Energy Trust (the “**Trust**”), the predecessor of the current Trilogy, through a spinout transaction. Pursuant to the spinout, Paramount transferred to the Trust certain cash flow generating properties in the Kaybob and Marten Creek areas of Alberta and distributed trust units of the Trust to Paramount’s shareholders. The assets which Paramount retained consisted predominately of growth-oriented assets.

Upon completion of the spinout, the trust units of the Trust were listed on the TSX and the Trust began operations as a separate entity. The senior management and employees of the administrator of the Trust were personnel who either had been, or were still, officers or employees of Paramount. As a result of the spinout, Mr. Clayton H. Riddell, who was then (and still is), through companies controlled by him, the principal shareholder of Paramount, became the principal unitholder of the Trust. At the time of the spinout, Paramount retained a portion of the trust units.

In 2010, following changes to the Canadian tax rules relating to income trusts, the Trust was effectively converted into corporate form, with Trilogy being the successor of the Trust and the unitholders of the Trust becoming shareholders of Trilogy. Upon completion of the conversion, the business, directors and management of Trilogy were the same as the business, directors and management of the Trust immediately before the completion of the conversion.

The authorized share capital of Trilogy includes Trilogy Common Shares and Trilogy Non-Voting Shares. As part of the conversion, certain of the trust units owned by Paramount and by a company controlled by Clayton H. Riddell were exchanged for Trilogy Non-Voting Shares and all other trust units were exchanged for Trilogy Common Shares. The Trilogy Common Shares and Trilogy Non-Voting Shares are essentially identical except that the Trilogy Non-Voting Shares do not have the right to vote at any meeting of shareholders of Trilogy, except as required by applicable law. See Appendix H – “*Information concerning Trilogy Energy Corp. – Description of Share Capital*”.

Trilogy currently has approximately 105.3 million Trilogy Common Shares and 20.8 million Trilogy Non-Voting Shares outstanding. Paramount currently owns approximately 12.8 million Trilogy Common Shares and 6.4 million Trilogy Non-Voting Shares, collectively representing approximately 15% of the outstanding Trilogy Shares.

Clayton H. Riddell is the Chairman of both Paramount and Trilogy. He currently beneficially owns or controls, directly or indirectly, approximately 45% of the outstanding Paramount Shares and approximately 28.0 million Trilogy Common Shares and 14.4 million Trilogy Non-Voting Shares, collectively representing approximately 34% of the outstanding Trilogy Shares.

James H.T. Riddell is the President and Chief Executive Officer of Paramount, the Chief Executive Officer of Trilogy and a director of each of Paramount and Trilogy. E. Mitchell Shier, the General Counsel, Corporate Secretary and Manager, Land of Paramount, is a director of Trilogy.

As a result of these relationships, the Merger constitutes a “business combination” for Trilogy and a “related party transaction” for Paramount under MI 61-101. See “*Details of the Merger – Securities Law Matters*”.

Events Leading to the Merger

In light of the relationship among Clayton H. Riddell, Paramount and Trilogy, at various times subsequent to the conversion of the Trust, various capital markets participants suggested to directors or officers of Paramount and/or Trilogy that the two companies be recombined. As part of its continual consideration of potential opportunities, the senior management of Paramount periodically considered the possibility of a merger with Trilogy and explored the means by which such a transaction could be accomplished and the process that would be needed to be undertaken, given the relationship between Paramount and Trilogy. From time to time Clayton H. Riddell and James H.T. Riddell had casual discussions with the other directors of Paramount and Trilogy about the possibility of Paramount and Trilogy being recombined. Until April 2017, none of these activities or discussions led to any formal consideration of a merger by either the Paramount Board or the Trilogy Board, as the circumstances at those times were not considered to be conducive to such a transaction.

Paramount Developments

In April 2016, Paramount sold its Musreau Complex and related midstream assets for net cash proceeds of approximately \$560 million. Proceeds from that transaction were used to pay down Paramount's credit facility. In July 2016, Paramount entered into an agreement with Seven Generations Energy Ltd. (“7G”), a publicly traded energy company with natural gas operations focused in the Kakwa area of northwest Alberta, to sell to 7G Paramount's Musreau/Kakwa assets (the “7G Sale”). The shareholders of Paramount approved the 7G Sale at a special meeting of shareholders held on August 15, 2016. The sale was completed on August 18, 2016 and resulted in Paramount receiving total consideration of approximately \$2.1 billion, comprised of 33.5 million shares of 7G valued at \$972 million based on the closing market price on the day prior to closing, approximately \$500 million in cash, the assumption by 7G of all US \$450 million principal amount of Paramount's 6.875% senior unsecured notes due 2023 and certain oil and gas properties valued at approximately \$6 million. Paramount sold 29.7 million of the 7G shares for aggregate net proceeds of approximately \$860 million and distributed the remaining 3.8 million 7G shares to Paramount shareholders as a dividend in January 2017. Paramount used the proceeds from the 7G Sale and the subsequent sales of the 7G shares to repay all of its outstanding indebtedness, resulting in cash and cash equivalents on hand of approximately \$622 million and an undrawn \$100 million credit facility as at December 31, 2016.

Subsequent to the 7G Sale, management of Paramount considered various transactions to rebuild its asset portfolio and take advantage of its financial resources. In late January 2017, Paramount entered into discussions with Apache about the possibility of Paramount acquiring Apache Canada. In February 2017, Paramount and Apache entered into a confidentiality agreement and Apache began providing information to Paramount to enable it to evaluate a possible acquisition. This led to the negotiation of

potential terms of a transaction and the identification of certain assets of Apache Canada which it would sell or transfer prior to Paramount's acquisition of Apache Canada.

During Paramount's negotiations to acquire Apache Canada, senior management of Paramount came to the conclusion that the possibility of a merger with Trilogy, in conjunction with the acquisition of Apache Canada, should be pursued. In early April, 2017, the senior management of Paramount consulted with Norton Rose Fulbright Canada LLP, the regular corporate counsel for Paramount and Trilogy, about the process and means for effecting a merger of Paramount and Trilogy in conjunction with the acquisition of Apache Canada.

Trilogy Developments

Since approximately 2011, Trilogy's main focus has been developing its Montney oil and gas and Duvernay shale assets, increasing production and replacing produced reserves while keeping operating, general and administrative and finding and development costs as low as possible. The Duvernay prospect in particular is a multi-year exploration and development play that requires the investment of large amounts of capital over time to delineate the nature, extent and commerciality of the play. Trilogy has dedicated significant resources and capital to further its knowledge base in these assets and has made meaningful progress in improving drilling and completion efficiencies and reducing drilling and completion costs.

Prior to late 2014, Trilogy had expected to maintain or increase its capital investment levels in its Montney and Duvernay plays to increase production and capital efficiency, replace produced reserves and further solidify Trilogy's position in the Duvernay shale play. However, given the global collapse in commodity prices for natural gas, crude oil and natural gas liquids since 2014, Trilogy adjusted its annual capital spending program downward to the level required to maintain its land base and participate in only those operations that were strategic and/or met Trilogy's return requirements or were deemed necessary for health, safety or environmental reasons. Trilogy necessarily shifted from a growth model to focusing, in the near term, on sustaining its financial health, preserving shareholder value, operating within funds flow from operations and reducing costs in virtually all facets of its business.

In early 2015, due to market conditions, higher long term debt and the high cost of drilling and completing Duvernay wells, Trilogy began evaluating methods of accelerating the development of its Duvernay shale assets through a sale, partial sale or joint venture with one or more third parties. This included engaging a financial advisor to ascertain the interest of industry participants in an asset transaction with Trilogy. These efforts resulted in the sale of certain non-core Duvernay mineral rights in transactions that closed in the fourth quarter of 2015 (US \$85 million cash proceeds) and the second quarter of 2017 (\$60 million cash proceeds). Also in 2017, Trilogy sold a significant portion of its Grande Prairie area assets (\$50 million cash proceeds). A 2017 process to sell certain Gething assets in the Kaybob area did not result in a sale. None of these processes resulted in any party expressing an interest in acquiring Trilogy as a whole.

While the steps taken by Trilogy's management to reduce costs, operate within cash flow, limit capital expenditures and divest of non-core assets significantly improved the Company's balance sheet, access to capital remained a top priority for Trilogy.

Proposed Merger

At meetings of the boards of directors of Paramount and Trilogy held on April 17 and April 18, 2017, respectively, the senior managements of Paramount and Trilogy outlined to their respective boards the rationale and process for Paramount and Trilogy to merge and recommended that each board establish a special committee of independent directors to consider the potential transaction and take all steps necessary to be able to make a recommendation to their respective boards regarding the transaction, including the engagement of independent legal and financial advisors and the appointment of an independent joint valuator to prepare the formal valuation of the shares of Paramount and Trilogy that would be required under MI 61-101. The boards received advice on the duties of directors in these

circumstances and the requirements of MI 61-101 that would apply to the transaction. It was recommended to the boards that the combination of Paramount and Trilogy be accomplished by way of an arrangement in respect of Trilogy and its shareholders under the Act, with Paramount acquiring the Trilogy Shares not already owned by it in exchange for Paramount Shares. No exchange ratio was suggested at that time. Clayton H. Riddell advised both boards that he was supportive in principle of such a transaction. Mr. Riddell also advised the Trilogy Board that he and Paramount were open to considering an alternative transaction for Trilogy but expressed the view that, based on Trilogy's prior activities and the current market environment, Trilogy conducting any process to seek an offer from a third party to acquire Trilogy was unlikely to result in an offer at a price that he and Paramount were prepared to accept.

At the meeting of the Paramount Board held on April 17, 2017, the Paramount Board appointed the Paramount Special Committee. At the meeting of the Trilogy Board held on April 18, 2017, the Trilogy Board appointed the Trilogy Special Committee. Each of the Special Committees were given the mandate to, among other things, consider and make a recommendation with respect to the proposed merger. The steps taken by and the deliberations of the Special Committees are described below under *"Deliberations of the Special Committees"*.

Following the appointment of the Special Committees, both Companies took steps to consider and prepare for a potential merger. This included the engagement by each of the Special Committees of independent legal and financial advisors and the engagement by the Special Committees, jointly, of Deloitte as independent valuator to provide financial advisory services in respect of the transaction, including the preparation of formal valuations of the Paramount Shares and the Trilogy Shares in accordance with MI 61-101 and opinions as to the fairness of the consideration under the proposed merger from a financial point of view. Since some of the benefits of the potential merger were dependant on the proposed acquisition of Apache Canada, which would be a significant transaction for Paramount, the anticipated impact of the acquisition of Apache Canada was taken into consideration by Deloitte in the preparation of its valuation of the Paramount Shares.

At the same time as the potential merger was being considered, Paramount continued with its pursuit of the acquisition of Apache Canada, which included extensive due diligence investigations and protracted negotiations with Apache. In late June and early July, as Paramount's negotiations for the Apache Canada Acquisition neared completion, Paramount and Trilogy, the Special Committees and their respective advisors took steps for the Special Committees to be in a position to present their determinations and recommendations to their respective Boards with a view to Paramount and Trilogy being able to announce the potential merger in conjunction with the announcement of the Apache Canada Acquisition.

At meetings held on July 5, 2017, each of the Paramount Board and the Trilogy Board, after receiving the recommendation of their respective Special Committees, approved the entering into of the Arrangement Agreement, conditional upon Paramount entering into the Apache Canada Acquisition Agreement on terms upon which the recommendation of its Special Committee was based. The Apache Canada Acquisition Agreement was finalized between Paramount and Apache on July 6, 2017, following which Paramount and Trilogy entered into the Arrangement Agreement. Paramount then issued a news release announcing the Apache Canada Acquisition and the Merger and Trilogy issued a news release announcing the Merger.

Apache Canada Acquisition

On July 6, 2017, Paramount entered into an agreement with certain subsidiaries of Apache to acquire Apache Canada for \$459.5 million, plus working capital and other monetary adjustments. Pursuant to the Apache Canada Acquisition, Paramount will acquire Montney and Duvernay resource play opportunities in the Alberta Deep Basin, with production currently concentrated at Kaybob and Central Alberta and a turn-key Montney resource play at Wapiti, northwest of Paramount's Karr project.

Further information relating to the Apache Canada Acquisition is set forth under *“Information Relating to Paramount after the Apache Canada Acquisition and the Merger”* and information concerning Apache Canada is set forth in Appendix J. The Apache Canada Acquisition is expected to be completed on or about August 16, 2017 and is not conditional upon the completion of the Merger. The completion of the Merger is conditional upon, among other things, the completion of the Apache Canada Acquisition.

Benefits of the Merger

The Merger, combined with the Apache Canada Acquisition, will result in Paramount having:

- combined fourth quarter 2017 production that is expected to exceed 90,000 Boe/d, including approximately 35 percent liquids, and proved plus probable reserves of 600 MMboe, based on independent reserves evaluations prepared by McDaniel effective as of June 1, 2017;
- a total land position of approximately 2.7 million net acres with a number of top-tier Montney and Duvernay resource development plays which will provide Paramount with considerable capital allocation flexibility;
- a strong balance sheet and materially enhanced cash flow base;
- Montney acreage of approximately 372,000 net acres, with near-term production growth focused at Karr and a new turn-key Montney resource play at Wapiti which is anticipated to add material new production in mid-2019;
- Duvernay acreage of approximately 223,000 net acres, with near-term growth planned for the Kaybob Duvernay; and
- 176,000 net acres of fee simple lands in southern Alberta and additional minor properties, all of which may be monetized in whole or in part.

Further information relating to the impact of the Apache Canada Acquisition and the Merger on Paramount is set forth under *“Information Relating to Paramount after the Apache Canada Acquisition and the Merger”*.

Paramount Shareholders will benefit from the Merger as a result of:

- adding concentrated and well-established base production with approximately 35% liquids and per unit operating costs of less than \$10.00 per Boe;
- ownership and operatorship of natural gas and liquids handling facilities and infrastructure with available incremental capacity;
- a portfolio of development ready liquids-rich growth plays located in the heart of the Alberta Deep Basin including infrastructure and egress capacity;
- access to long-term marketing and transportation contracts to support existing base production and liquids-rich growth developments;
- opportunities for Kaybob area synergies including the combination of production from Apache Canada and Trilogy properties through owned and operated infrastructure, which is expected to reduce cash costs due to operational efficiencies; and
- economies of scale that will result in drilling and completion efficiencies due to increased activity levels and the sharing of services.

Trilogy Shareholders (who will become Paramount Shareholders if the Arrangement is completed), will, in addition to the benefits outlined above, also benefit from the Merger as a result of:

- a combined company with a strong balance sheet, liquidity and access to capital;
- accelerated development of Trilogy's portfolio of liquids-rich growth plays and greater utilization of its long-term marketing and transportation capacity;
- access to the additional resources needed to support accelerated development of Trilogy's liquids-rich growth plays;
- exposure to a more diverse portfolio of liquids-rich assets including two Montney resource projects in the Alberta Deep Basin;
- opportunities to divest non-core assets and infrastructure to help fund accelerated development and ensure a strong balance sheet while preserving the core assets and infrastructure; and
- a focus on profitable growth.

Paramount Shareholders and Trilogy Shareholders will both benefit from the Paramount Shares being more widely held following the Merger, which is expected to result in more active market trading.

Deliberations and Recommendations of the Special Committees

Paramount Special Committee

Committee Process

On April 17, 2017, the Paramount Board formed the Paramount Special Committee, consisting of three directors who are independent of Paramount and Trilogy within the meaning of MI 61-101, and established its mandate. Those directors are James Bell, John Gorman and John Roy. Mr. Bell was appointed as the Chair of the Paramount Special Committee. Since being formed, the Paramount Special Committee has met formally 16 times, and additionally has had numerous separate discussions amongst themselves, management and with legal counsel and its financial advisors.

The mandate of the Paramount Special Committee was: (i) to monitor the steps being taken by management with respect to the proposed merger of Paramount and Trilogy and to make any recommendation to management with respect thereto as the Paramount Special Committee may feel appropriate; (ii) to review and consider the proposed merger, including authority to discuss and negotiate the terms of the proposed merger with the principal shareholder of Paramount and the Trilogy Special Committee; and (iii) to make such recommendations to the Paramount Board as the Paramount Special Committee considered appropriate and to report to the Paramount Board from time to time on such matters as the Paramount Board may from time to time request or the Paramount Special Committee considered appropriate. The mandate of the Paramount Special Committee provided the Paramount Special Committee with the ability to retain, at the expense of Paramount, such legal, financial and other advisors, including an independent valuator or independent joint valuator to provide a formal valuation of the Paramount Shares and the Trilogy Shares as required by applicable law, as the Paramount Special Committee considered necessary or desirable to perform its mandate.

As part of the Paramount Special Committee process, the Paramount Special Committee considered the qualifications of a number of law firms. As a result of that process, the Paramount Special Committee retained Burnet, Duckworth & Palmer LLP as its independent legal counsel on April 18, 2017.

On April 21, 2017, the Paramount Special Committee met with its legal counsel to review various preliminary matters, including the mandate of the Paramount Special Committee, the independence of the

members of the Paramount Special Committee and the duties and responsibilities of the Paramount Special Committee. The Paramount Special Committee also reviewed with legal counsel the potential transaction structures for the proposed merger, as well as Paramount's proposed acquisition of Apache Canada and the anticipated timing thereof. The Paramount Special Committee reviewed with its legal counsel the implications that MI 61-101 would have on the proposed merger, including the requirement for a formal valuation of the Paramount Shares and Trilogy Shares, as well as minority securityholder approval requirements and thresholds and the possibility of the reliance on any exemptions. The Paramount Special Committee also considered the qualifications of a number of potential joint valuers and whether such valuers would be independent within the meaning of MI 61-101. Following such considerations and deliberations, the Paramount Special Committee determined to contact Deloitte, initially on a no-names basis, to have Deloitte provide a summary of its qualifications and credentials. A list of potential financial advisors was also developed by the Paramount Special Committee, having regard to the experience, expertise and credentials of each firm.

Legal counsel to the Paramount Special Committee then held several telephone calls with Deloitte to obtain further information on Deloitte's qualifications and credentials. On April 25, 2017, after consulting with the Trilogy Special Committee regarding potential candidates for the joint valuator and determining that Deloitte was independent of all interested parties in connection with the proposed merger, the Paramount Special Committee and its legal advisors met with Deloitte to receive an initial presentation from Deloitte. Following Deloitte's presentation, and further discussion among the Paramount Special Committee, the Trilogy Special Committee and their respective legal counsel, the Paramount Special Committee invited Deloitte to prepare a draft engagement letter for consideration by the Paramount Special Committee and the Trilogy Special Committee.

The Paramount Special Committee also further discussed the investment banking firms that had been approached with regard to the potential financial advisory mandate for the Paramount Special Committee and noted that it would be scheduling meetings with its short list of firms in order to receive presentations on each firm's qualifications and credentials.

On April 28, 2017, the Paramount Special Committee met to receive the presentations from certain investment banking firms, and reviewed with each firm, among other matters, their expertise, experience, level of independence and various initial considerations for the proposed merger. As a result of this process, the Paramount Special Committee invited Peters & Co. Limited to present a draft engagement letter to the Paramount Special Committee for consideration.

Over the following weeks, the Paramount Special Committee, together with the Trilogy Special Committee and their respective counsel, reviewed and negotiated the engagement letter to be entered into with Deloitte as joint valuator to provide the formal valuation and fairness opinions. The Paramount Special Committee also negotiated the engagement letter to be entered into with Peters & Co. Limited pursuant to which Peters & Co. Limited would provide financial advice and related assistance to the Paramount Special Committee in evaluating the proposed merger. On May 9, 2017, Paramount entered into an engagement agreement with Peters & Co. Limited pursuant to which Peters & Co. Limited was retained as the independent financial advisor of the Paramount Special committee. On May 16, 2017, Paramount and Trilogy entered into an engagement agreement with Deloitte pursuant to which Deloitte was retained as the joint independent valuator.

In the ensuing weeks, the Paramount Special Committee, its legal and financial advisors and Deloitte met on several occasions with Paramount management and Trilogy management to receive detailed presentations regarding Paramount's and Trilogy's respective operations, assets, performance, production, cash flow and prospects as a stand-alone entity, as well as the proposed acquisition of Apache Canada and the Apache Canada assets, operations, performance, production, cash flow and value proposition and the potential synergies to be realized by the combined entity following completion of the proposed merger and the acquisition of Apache Canada.

The Paramount Special Committee and its advisors conducted due diligence and considered the financial, operational and other information provided by Paramount and Trilogy management,

respectively. The Paramount Special Committee and its legal and financial advisors met with Deloitte on June 5, 2017 to discuss, among other things, the status of Deloitte's review of the information that had been provided to Deloitte by each of Paramount and Trilogy, the status and methodology of Deloitte's valuation models and various inputs, pricing scenarios to be utilized by Deloitte and various other matters.

On June 15, 2017, the Paramount Special Committee, its legal and financial advisors, Paramount management, the Trilogy Special Committee, its legal and financial advisors and Trilogy management met with Deloitte to receive a presentation regarding Deloitte's valuation methodology and basis for comparison and its observations on the respective values of each company having regard to a variety of measures. The group discussed, among other things, the current production (including the oil and gas reserves assessed by McDaniel) and growth case scenarios of the Paramount, Trilogy and Apache Canada properties and the respective obligations of the companies.

Commencing June 17, 2017 and continuing through to July 5, 2017, a draft arrangement agreement was prepared and negotiated between the parties. The Paramount Special Committee and its legal and financial advisors reviewed the document and determined and negotiated for the position of the Paramount Special Committee on various matters dealt with therein.

As part of its review process, the Paramount Special Committee considered and reviewed a substantial amount of information in consultation with its legal and financial advisors, including potential alternatives to the proposed merger, including maintaining the *status quo*. On June 21, 2017, the Paramount Special Committee met with Peters & Co. Limited to receive a presentation from Peters & Co. Limited, including the views of Peters & Co. Limited of Paramount on a standalone basis, as well as its views on Trilogy and Apache Canada from an acquisition perspective. A detailed review of the current financial and operating metrics of each of Paramount, Trilogy and Apache Canada was provided by Peters & Co. Limited as well as the anticipated *pro forma* metrics of the combined entity. The attributes and potential risks and challenges of the proposed merger were also reviewed and discussed by the Paramount Special Committee, its legal counsel and Peters & Co. Limited.

On June 23, 2017, the Paramount Special Committee held a meeting together with its legal and financial advisors to receive Deloitte's preliminary valuation conclusions for the Paramount Shares (*pro forma* the Apache Canada acquisition) and the Trilogy Shares, subject to, among other things, the terms of the Apache Canada acquisition being finalized. Legal counsel to the Paramount Special Committee and Paramount management also provided a review of their respective due diligence results in respect of Trilogy. Management also presented its business case for the proposed merger to the Paramount Special Committee and also reviewed its updated development plans for the assets of each of Trilogy and Apache Canada.

On June 26, 2017, Paramount management updated the Paramount Special Committee on recent negotiations on the Apache Canada acquisition and provided a further summary of its updated development plans for the assets of Apache Canada. Following management's presentation and further discussions with its advisors, the Paramount Special Committee instructed management to provide management's updated development plans for the Apache Canada assets to McDaniel.

On July 3, 2017, the Paramount Special Committee received a proposed exchange ratio for the proposed merger from Clayton H. Riddell. The Paramount Special Committee met on July 4, 2017, initially with Deloitte, who provided its updated valuation conclusions to the Paramount Special Committee and its legal and financial advisors, which were subject to anticipated minor adjustments prior to finalization and to the terms of the Apache Canada acquisition being finalized. The Paramount Special Committee then continued the meeting with its legal and financial advisors to discuss Deloitte's valuation conclusions and to receive a presentation from Peters & Co. Limited regarding its updated views on Paramount, Trilogy, Apache Canada and the combined entity.

Later that day, at a meeting of the Paramount Board attended by the Paramount Special Committee's legal and financial advisors, Paramount's management and Paramount's legal counsel, which meeting was held after a meeting held by the Trilogy Board, the Paramount Special Committee presented a report

to the Paramount Board on the activities it had conducted since the formation of the committee and discussed with the other board members the committee's views in respect of the proposed merger and the proposed exchange ratio.

Subsequent to that meeting, the Paramount Special Committee negotiated with the Trilogy Special Committee with a view to settling on a share exchange ratio that the Paramount Special Committee believed it could recommend to the Paramount Shareholders and, in consultation with its financial and legal advisors, ultimately agreed that the exchange ratio for the proposed merger would be one Paramount Share for every 3.75 Trilogy Shares, subject to receiving confirmation from Clayton H. Riddell that he was prepared to support the transaction at that ratio. Mr. Riddell subsequently confirmed that he would support the transaction at that ratio. The Paramount Special Committee received the verbal opinion of Deloitte that, based on its valuation conclusions at that time, among other things, the proposed issuance by Paramount of one Paramount Share for every 3.75 Trilogy Shares is fair, from a financial point of view, to the Paramount Shareholders.

At a meeting of the Paramount Board held on July 5, 2017, the Paramount Special Committee, having taken into account Deloitte's valuation and fairness conclusions and the advice of Peters & Co. Limited and Burnet, Duckworth & Palmer LLP and such other matters as it considered relevant and having determined that the Merger is fair, from a financial point of view, to the Paramount Shareholders and is in the best interests of Paramount and the Paramount Shareholders, recommended to the Paramount Board that it approve the Arrangement Agreement.

Deloitte subsequently delivered to the Paramount Special Committee the Valuation Reports, containing Deloitte's final valuation conclusions, and the Paramount Fairness Opinion, and the Paramount Special Committee confirmed its recommendations to the Paramount Board.

Reasons for the Paramount Special Committee Recommendation

In determining that the Merger is fair, from a financial point of view, to the Paramount Shareholders and is in the best interests of Paramount and the Paramount Shareholders and in making its recommendations to the Paramount Board, the Paramount Special Committee considered and relied upon a number of factors, including the following:

- The Merger establishes Paramount as a leading Montney producer in Canada with one of the largest Duvernay positions in the industry providing near term growth and moderate leverage relative to Paramount's industry peer group.
- The complementary nature of the assets of Paramount, Trilogy and Apache Canada, which allow for efficient optimization of the assets, synergies in field operations, general administrative expenses and capital expenditures, as well as the optimizing of processing and transportation infrastructure and commitments.
- The Merger gives Paramount substantial capital allocation flexibility among its core operating areas.
- The Merger, through the retention of various staff of Trilogy, and together with the continuing employees of Apache Canada, provides Paramount with additional technical expertise, allowing Paramount to further enhance its operational know-how in its core operating areas.
- The fairness opinion received from Deloitte to the effect that, based upon and subject to the assumptions, limitations and qualifications contained therein, the proposed issuance by Paramount of one Paramount Share for every 3.75 Trilogy Shares is fair, from a financial point of view, to the Paramount Shareholders.

- Paramount Shareholders will have an opportunity to vote on the Arrangement, which requires approval by a majority of the votes cast by the Paramount Shareholders present in person or represented by proxy at the Meeting, after excluding the votes cast by persons whose votes may not be included in determining minority approval pursuant to MI 61-101.
- The terms and conditions of the Arrangement Agreement, including the fact that the representations, warranties and covenants of each of Paramount and Trilogy and the conditions to completion of the Merger are, in the judgment of the Paramount Special Committee, after consultation with its legal and financial advisors, reasonable.
- The obligations of Trilogy to complete the Arrangement are subject to a limited number of conditions, which the Paramount Special Committee believes are reasonable under the circumstances.
- The Paramount Special Committee's belief that the Merger is likely to be completed in accordance with its terms and within a reasonable time, with closing of the Merger currently expected on or about September 11, 2017.
- The ability of the Paramount Board, in the circumstances described in the Arrangement Agreement, to consider, accept and enter into a definitive agreement with respect to a Superior Proposal with no termination fee payable to Trilogy, provided that Paramount complies with the terms of the Arrangement Agreement and pays to Trilogy an expense reimbursement.

The Paramount Special Committee considered the benefits to the Paramount Shareholders set forth under *"The Merger – Benefits of the Merger"* and also considered a number of the potential risks and negative factors relating to the proposed merger, including, among others: (i) various capital market risks, such as the current negative sentiment towards the Canadian energy markets and the potential re-rating of Paramount's trading multiple, beyond the anticipated scope, following the announcement and/or completion of the proposed merger, and (ii) various risks related to the integration of Trilogy and Apache Canada into the business of Paramount, such as challenges with the management and transition of Trilogy and Apache Canada employees, the requirement to repay or refinance Trilogy's outstanding high yield notes which mature in 2019, challenges associated with the potential divestiture of non-core properties of Apache Canada and Trilogy and the development and execution of an updated abandonment and reclamation plan.

The foregoing discussion of the information and factors considered and given weight by the Paramount Special Committee is not intended to be exhaustive. In reaching the determination to recommend the Merger, the Paramount Special Committee did not assign any relative or specific weights to the foregoing factors, and individual directors may have given different weights to different factors.

Trilogy Special Committee

Committee Process

On April 18, 2017, the Trilogy Board formed the Trilogy Special Committee, consisting of three directors who are independent of Trilogy and Paramount within the meaning of MI 61-101, and established its mandate. Those directors are R. Keith MacLeod, Robert M. MacDonald and Wilfred A. Gobert. Mr. MacLeod was appointed the Chair of the Trilogy Special Committee. Since being formed, the Trilogy Special Committee has met formally 17 times, and additionally has had separate discussions amongst themselves, management and with legal counsel and its financial advisors.

The mandate of the Trilogy Special Committee was: (i) to monitor the steps being taken by management with respect to the proposed merger of Trilogy and Paramount and to make any recommendation to management with respect thereto as the Trilogy Special Committee may feel appropriate; (ii) to review and consider the proposed merger, including authority to discuss and negotiate the terms of the proposed

merger with the principal shareholder of Trilogy and the Paramount Special Committee; and (iii) to make such recommendations to the Trilogy Board as the Trilogy Special Committee considered appropriate and to report to the Trilogy Board from time to time on such matters as the Trilogy Board may from time to time request or the Trilogy Special Committee may consider appropriate. The mandate of the Trilogy Special Committee provided the Trilogy Special Committee with the ability to retain, at the expense of Trilogy, such legal, financial and other advisors, including an independent valuator or joint valuator to provide a formal valuation of the Trilogy Shares and the Paramount Shares as required by applicable law, as the Trilogy Special Committee considered necessary or desirable to perform its mandate.

As part of the Trilogy Special Committee process, the Trilogy Special Committee considered the qualifications of a number of law firms. As a result of that process, the Trilogy Special Committee retained Stikeman Elliott LLP as its independent legal counsel on April 21, 2017.

On April 24, 2017, the Trilogy Special Committee met with its legal counsel to review the mandate, duties and responsibilities of the Trilogy Special Committee, including whether to conduct a formal corporate sale process, consider the potential transactions structures for the proposed merger, review the implications that MI 61-101 would have on the proposed merger, including the shareholder approval thresholds, and consider appropriate candidates for the independent joint valuator and the financial advisor to the Trilogy Special Committee. The Trilogy Special Committee considered the qualifications of a number of financial advisory firms and on April 28, 2017, along with Stikeman Elliott LLP, met with Raymond James Ltd. to discuss its qualifications and potential advisory role. The Trilogy Special Committee also considered the qualifications of a number of potential joint valutors and whether they would be independent within the meaning of MI 61-101. After consulting with the Paramount Special Committee regarding potential candidates for the joint valuator and determining that Deloitte was independent of all interested parties in the proposed merger, the Trilogy Special Committee and its legal advisors met with Deloitte on May 2, 2017 to discuss its qualifications and potential role as joint independent valuator. As a result of this process and several additional conversations with the respective candidates, the parties negotiated the respective engagement agreements and on May 5, 2017 the Trilogy Special Committee resolved to retain Raymond James Ltd. to provide financial advice and related assistance to the Trilogy Special Committee in evaluating the proposed merger and Deloitte as a joint independent valuator to provide the valuations and fairness opinions.

In the ensuing weeks, the Trilogy Special Committee, its legal and financial advisors and Deloitte met on several occasions with Trilogy management and Paramount management to receive detailed presentations regarding Trilogy's and Paramount's respective operations, assets, performance, production, cash flow and prospects as a stand-alone entity, as well as the proposed Apache Canada transaction and the Apache Canada assets, operations, performance, production, cash flow and value proposition and the potential synergies to be realized by the combined entity following completion of the proposed merger and acquisition of Apache Canada. The Trilogy Special Committee continued to consider whether to conduct a formal corporate sale process and, in ultimately determining not to, considered and relied upon a number of factors, including: (i) in light of Trilogy's experience from its recent asset sales processes and the current market environment, it was unlikely that a satisfactory offer would surface from a formal corporate sale process; (ii) confirmation from the parties that the documentation for the proposed merger, should it proceed, would be structured so that any other interested offerors would have a reasonable opportunity to present any higher-value alternative; (iii) the formal valuation and fairness opinions would provide independent grounds for the Trilogy Special Committee to assess the adequacy of the proposed merger; and (iv) while Clayton H. Riddell had advised that he and Paramount would consider a third party offer for Trilogy, they held sufficient Trilogy Shares to effectively veto any alternative deal and conducting a formal corporate sale process could prejudice the merger opportunity.

The Trilogy Special Committee and its advisors conducted due diligence and considered the financial, operational and other information provided by Trilogy and Paramount management, respectively. The Trilogy Special Committee and its legal and financial advisors met with Deloitte on June 1, 2017 to discuss, among other things, Trilogy's liquidity, previous sales processes and full development scenario,

the quantum of the Apache Canada's obligations, other aspects of the Apache Canada acquisition and Deloitte's valuation methodology and the status of its preparation of the valuations.

As part of its review process, the Trilogy Special Committee considered and reviewed a substantial amount of information in consultation with its legal and financial advisors, including potential alternatives to the proposed merger, including maintaining the *status quo*. On June 2, 2017, the Trilogy Special Committee, its legal and financial advisors and Deloitte met with Trilogy management to discuss, among other things, the current and anticipated future opportunities and risks associated with Trilogy's business, operations, assets, financial performance and condition of Trilogy should it continue as a separate public corporation.

On June 14, 2017, the Trilogy Special Committee and its legal counsel met with Raymond James Ltd. to receive a presentation on Raymond James Ltd.'s preliminary views regarding Trilogy, Paramount (*pro forma* the Apache Canada acquisition) and the *pro forma* combined entity. Among other things, the group discussed the attributes and potential challenges of the proposed merger, including the potential market reaction, and examined the methodology and assumptions that Deloitte would use in preparing the valuations.

On June 15, 2017, the Trilogy Special Committee, its legal and financial advisors, Trilogy management, the Paramount Special Committee, its legal and financial advisors and Paramount management met with Deloitte to receive a presentation regarding Deloitte's valuation methodology and basis for comparison and its observations on the respective upside of each company having regard to a variety of measures. The group discussed, among other things, the current production (including the oil and gas reserves assessed by McDaniel) and growth case scenarios of specific Trilogy, Paramount and Apache Canada properties, respectively, and the respective obligations of Trilogy, Paramount and Apache Canada.

Commencing June 17, 2017 and continuing through to July 7, 2017, a draft arrangement agreement was prepared and negotiated between the parties. The Trilogy Special Committee and its legal and financial advisors reviewed the document and determined and negotiated for the position of the Trilogy Special Committee on various matters dealt with therein.

At the meeting of the Trilogy Special Committee and its legal and financial advisors on June 22, 2017, Deloitte provided its preliminary valuations of the Trilogy Shares and the Paramount Shares (*pro forma* the Apache Canada acquisition), subject to, among other things, finalizing the terms of the Apache Canada Acquisition.

On July 3, 2017, the Trilogy Special Committee received a proposed exchange ratio for the proposed transaction from Clayton H. Riddell. The Trilogy Special Committee and the other independent Trilogy Board member, Donald F. (Don) Textor, met on July 4, 2017 with its legal and financial advisors to, among other things, discuss the proposed exchange ratio, revisit potential alternatives to the proposed merger as well as the duties and responsibilities of the Trilogy Special Committee and receive a presentation from Raymond James Ltd. regarding its updated views on Trilogy, Paramount (*pro forma* the Apache Canada acquisition) and the *pro forma* combined entity.

Deloitte provided its updated valuation conclusions to the Trilogy Special Committee (and Mr. Textor) and its legal and financial advisors on July 4, 2017, subject to anticipated minor adjustments prior to finalization and to the terms of the Apache Canada acquisition being finalized. The Trilogy Special Committee then continued the meeting with its legal and financial advisors to discuss Deloitte's valuation conclusions and whether the Trilogy Special Committee could recommend the proposed merger based on the proposed exchange ratio. The Trilogy Special Committee considered the advice of its legal and financial advisors, the valuation conclusions of Deloitte and such other matters as it considered relevant. Shortly thereafter, at a meeting of the Trilogy Board attended by the Trilogy Special Committee's legal and financial advisors, Trilogy's management and Trilogy's legal counsel, the Trilogy Special Committee (and Mr. Textor) presented to the Trilogy Board the committee's views in respect of the proposed merger and the proposed exchange ratio.

Subsequent to that meeting, the Trilogy Special Committee negotiated with the Paramount Special Committee with a view to establishing a share exchange ratio that the Trilogy Special Committee believed it could recommend to the Trilogy Shareholders and, in consultation with its financial and legal advisors, ultimately agreed that the exchange ratio would be one Paramount Share for every 3.75 Trilogy Shares, subject to receiving confirmation from Clayton H. Riddell that he was prepared to support the transaction at that ratio. Mr. Riddell subsequently confirmed that he would support the proposed merger at that ratio. The Trilogy Special Committee received the verbal opinion of Deloitte that, based on its valuation conclusions at that time, among other things, the proposed issuance by Paramount of one Paramount Share for every 3.75 Trilogy Shares is fair, from a financial point of view, to the Trilogy Shareholders.

At a meeting of the Trilogy Board held on July 5, 2017, the Trilogy Special Committee, having taken into account Deloitte's valuation and fairness conclusions and the advice of Raymond James Ltd. and Stikeman Elliott LLP and such other matters as it considered relevant and having determined that the Merger is fair, from a financial point of view, to the Trilogy Shareholders and is in the best interests of Trilogy and the Trilogy Shareholders, recommended to the Trilogy Board that it approve the Arrangement Agreement.

Deloitte subsequently delivered to the Trilogy Special Committee the Valuation Reports, containing Deloitte's final valuation conclusions, and the Trilogy Fairness Opinion, and the Trilogy Special Committee confirmed its recommendations to the Trilogy Board.

Reasons for the Trilogy Special Committee Recommendation

In determining that the Merger is fair, from a financial point of view, to the Trilogy Shareholders and is in the best interests of Trilogy and the Trilogy Shareholders and in making its recommendations to the Trilogy Board, the Trilogy Special Committee considered and relied upon a number of factors, including the following:

- Since the fourth quarter of 2014 and continuing through 2017, oil prices have experienced a significant decline which has resulted in depressed and discounted share prices for many oil and gas companies, including Trilogy. In addition, depressed oil and natural gas prices have negatively impacted Trilogy's cash flow from operations. Although Trilogy has funds available under its credit facilities to continue to develop the assets of Trilogy, the Trilogy Special Committee did not believe that it would be prudent to increase Trilogy's debt levels in the face of forecasted cash flows. These factors have negatively impacted Trilogy's ability to grow production in the short to near term.
- Based on the outcome of an engagement with a financial advisor to solicit bids from interested parties on assets that represent a material portion of Trilogy's oil and natural gas assets, it was determined that an asset sale in the current market was not expected to result in greater value to the Trilogy Shareholders than the Merger.
- The fairness opinion received from Deloitte to the effect that, based upon and subject to the assumptions, limitations and qualifications contained in the Trilogy Fairness Opinion, the proposed issuance by Paramount of one Paramount Share for every 3.75 Trilogy Shares is fair, from a financial point of view, to the Trilogy Shareholders.
- Based on the 10-day volume weighted average trading prices of the Trilogy Shares and the Paramount Common Shares for the period ended July 4, 2017, the exchange ratio imputed a premium for the Trilogy Shares.
- The Trilogy Special Committee was satisfied that further negotiations with the Paramount Special Committee would not result in an exchange ratio which was more favourable for the Trilogy Shareholders.

- The ability of the Trilogy Board, in the circumstances described in the Arrangement Agreement, to consider, accept and enter into a definitive agreement with respect to a Superior Proposal with no termination fee payable to Paramount, provided that Trilogy complies with the terms of the Arrangement Agreement and pays to Paramount an expense reimbursement.
- Trilogy Shareholders will have an opportunity to vote on the Arrangement, which requires approval by: (i) at least 66⅔% of the votes cast by the Trilogy Shareholders present in person or represented by proxy at the Trilogy Meeting; and (ii) a majority of the votes cast by the Trilogy Shareholders present in person or represented by proxy at the Trilogy Meeting, after excluding the votes cast by persons whose votes may not be included in determining minority approval pursuant to MI 61-101.
- The Merger is subject to a determination by the Court that the Arrangement is fair, both procedurally and substantively, to the Trilogy Shareholders.
- The terms and conditions of the Arrangement Agreement, including the fact that the representations, warranties and covenants of each of Trilogy and Paramount and the conditions to completion of the Merger are, in the judgment of the Trilogy Special Committee, after consultation with its legal and financial advisors, reasonable.
- The obligations of Paramount to complete the Arrangement are subject to a limited number of conditions, which the Trilogy Special Committee believes are reasonable under the circumstances.
- The Trilogy Special Committee's belief that the Merger is likely to be completed in accordance with its terms and within a reasonable time, with closing of the Merger currently expected on or about September 11, 2017.
- Registered Trilogy Shareholders may, upon compliance with certain conditions and in certain circumstances, exercise dissent rights and, if ultimately successful, receive fair value from Paramount for their Trilogy Shares as determined by the Court.
- The fact that, in the Trilogy Special Committee's view, the terms of the Arrangement Agreement treat the Trilogy Shareholders equitably and fairly.

The Trilogy Special Committee considered the benefits to Trilogy Shareholders described under “*The Merger – Benefits of the Merger*” and also considered a number of the potential risks and negative factors relating to the Merger, including the risks to Trilogy if the Merger is not completed, including the costs to Trilogy in pursuing the Merger, the diversion of management's attention away from conducting Trilogy's business in the ordinary course and the potential impact on Trilogy's current business relationships (including with future and prospective employees, suppliers and partners).

The foregoing discussion of the information and factors considered and given weight by the Trilogy Special Committee is not intended to be exhaustive. In reaching the determination to recommend the Merger, the Trilogy Special Committee did not assign any relative or specific weights to the foregoing factors, and individual directors may have given different weights to different factors.

Formal Valuations and Fairness Opinions

Engagement of Deloitte as Independent Valuator

The Special Committees engaged Deloitte to act as joint independent financial advisor to the Special Committees and provide formal valuations of the Paramount Shares and the Trilogy Shares in accordance with MI 61-101 and opinions concerning the fairness of the consideration under the proposed

merger from a financial point of view. The Special Committees determined, based in part on representations made to it by Deloitte, that Deloitte was independent of each of Paramount and Trilogy within the meaning of MI 61-101 and qualified to prepare the formal valuations and provide its fairness opinions.

Under the terms of the engagement letter entered into with Deloitte, Deloitte is to be paid a fee that is not contingent or success-based and is to be reimbursed for reasonable out-of-pocket expenses and indemnified by the Companies in respect of certain liabilities, which may arise in connection with the provision of Deloitte's services. No part of Deloitte's fee is contingent upon the successful completion of the Merger. The principal individual and other staff of Deloitte involved in the preparation of the Valuations and the Fairness Opinions acted independently and objectively in completing the engagement.

Credentials of Deloitte

Deloitte is one of the world's largest and most reputable professional services organizations with approximately 240,000 people in over 150 countries. Deloitte's professionals have significant experience in providing advisory services for various purposes, including fairness opinions, mergers and acquisitions, corporate finance, business valuations, litigation matters, and corporate income tax, among other things.

With over 125 dedicated valuation professionals in Canada and over 1,500 valuation professionals globally, Deloitte is considered to have a leading valuation practice with international delivery capabilities. Deloitte's valuation services group includes financial professionals, many of whom have earned professional designations including Chartered Professional Accountant, Chartered Business Valuator, Chartered Financial Analyst, Chartered Accountant and Accredited Senior Appraiser.

Independence of Deloitte

Deloitte is independent of Paramount, Trilogy and any other "interested party" for the purposes of Section 6.1 of MI 61-101, including for the following reasons: (i) Deloitte and its affiliates are not "issuer insiders", "associated entities", nor "affiliated entities" of any interested party, as each such term is defined in MI 61-101; (ii) Deloitte and its affiliated entities are not acting as financial advisors to any interested party in connection with the Merger; (iii) Deloitte is not the external auditor of Paramount, Trilogy or any other interested party; (iv) Deloitte's compensation does not depend in whole or in part on the conclusions reached in the valuations and/or fairness opinions or the outcome of the Merger; and (iv) Deloitte and its affiliated entities do not have any material financial interest in the completion of the Merger.

Valuations - General

The following summary is qualified in its entirety by the full text of the Valuation Reports which set forth the assumptions made, matters considered and limitations on the review undertaken in connection with the Valuations. The effective date of the Valuations is June 1, 2017 (the "**Valuation Date**").

Scope of Review – Paramount Information

In connection with the Paramount Valuation, Deloitte reviewed and relied upon, among other things:

- (a) discussions with management of Paramount ("**Paramount Management**"), the Paramount Special Committee, and legal counsel to the Paramount Special Committee;
- (b) audited financial statements of Paramount for the years ended December 31, 2012 to December 31, 2016, inclusive;
- (c) the Paramount Annual MD&A;
- (d) unaudited financial statements of Paramount for the three months ended March 31, 2017;

- (e) the Paramount Interim MD&A;
- (f) unaudited financial statements for Paramount for the five months ended May 31, 2017;
- (g) information regarding the costs anticipated to be incurred by both Paramount and Apache Canada for decommissioning and restoration liabilities, as provided by Paramount Management;
- (h) draft purchase price allocation for the Apache Canada Acquisition, as provided by Paramount Management;
- (i) reserve reports for Paramount and Apache Canada prepared by McDaniel, as at December 31, 2016 and June 1, 2017;
- (j) internal Paramount Management forecasts, projections, estimates, and budgets prepared or provided by Paramount Management;
- (k) certain internal financial, operating, corporate, and other information provided by Paramount Management relating to the business, operations, and financial condition of Paramount;
- (l) corporate presentation dated May 2017 for Paramount, as provided by Paramount Management;
- (m) corporate presentation dated May 15, 2017 for Apache Canada, as provided by Paramount Management;
- (n) corporate presentation for a private company in which Paramount has an investment dated May 2017, as provided by Paramount Management;
- (o) tax related information for Paramount, Apache Canada, and their subsidiaries, as at December 31, 2016 and May 31, 2017, as provided by Paramount Management;
- (p) details related to the fixed assets owned by Paramount, as provided by Paramount Management;
- (q) information regarding Paramount's financial instruments held, as at the Valuation Date, as provided by Paramount Management;
- (r) information related to Paramount stock options issued and outstanding, as at the Valuation Date, as provided by Paramount Management;
- (s) the Arrangement Agreement.
- (t) the Apache Canada Acquisition Agreement;
- (u) public information related to the business, operations, financial performance, and stock trading history of Paramount and other selected public entities considered by Deloitte to be relevant;
- (v) public information with respect to other transactions of a comparable nature considered by Deloitte to be relevant;
- (w) various institutional analyst research reports related to Paramount;

- (x) the Paramount AIF;
- (y) the management information circular of Paramount dated March 20, 2017;
- (z) representations contained in a certificate addressed to Deloitte, dated as at July 6, 2017, from Paramount Management as to the completeness and accuracy of the information upon which the Paramount Valuation and the Paramount Fairness Opinion are based;
- (aa) representations contained in a certificate addressed to Deloitte, dated as at July 6, 2017, from the Paramount Special Committee as to Deloitte's reliance on the scope of review set forth in the Paramount Valuation, as well as confirmation that the Paramount Special Committee has no knowledge of any information that would affect the conclusions noted in the Paramount Valuation; and
- (bb) such other corporate, industry, financial market information, investigations, and analyses as Deloitte considered necessary or appropriate in the circumstances.

Scope of Review – Trilogy Information

In connection with the Trilogy Valuation, Deloitte reviewed and relied upon, among other things:

- (a) discussions with management of Trilogy ("**Trilogy Management**"), the Trilogy Special Committee, and legal counsel to the Trilogy Special Committee;
- (b) audited financial statements of Trilogy for the years ended December 31, 2012 to December 31, 2016, inclusive;
- (c) the Trilogy Annual MD&A;
- (d) unaudited financial statements of Trilogy for the three months ended March 31, 2017;
- (e) the Trilogy Interim MD&A;
- (f) unaudited financial statements for Trilogy for the five months ended May 31, 2017;
- (g) information regarding the costs anticipated to be incurred by Trilogy for decommissioning and restoration liabilities, as provided by Trilogy Management;
- (h) reserve report for Trilogy prepared by McDaniel, as at December 31, 2016 and June 1, 2017;
- (i) internal Trilogy Management forecasts, projections, estimates, and budgets prepared or provided by Trilogy Management;
- (j) certain internal financial, operating, corporate, and other information provided by Trilogy Management relating to the business, operations, and financial condition of Trilogy;
- (k) corporate presentation dated May 9, 2017 for Trilogy, as provided by Trilogy Management;
- (l) corporate presentation dated January 2017 for the Duvernay, as provided by Trilogy Management;
- (m) tax related information for Trilogy and its subsidiaries as at December 31, 2016 and May 31, 2017, as provided by Trilogy Management;

- (n) details related to the fixed assets owned by Trilogy, as provided by Trilogy Management;
- (o) information regarding Trilogy's financial instruments held, as at the Valuation Date, as provided by Trilogy Management;
- (p) information relating to the Trilogy Options issued and outstanding, as at the Valuation Date, as provided by Trilogy Management;
- (q) the Arrangement Agreement;
- (r) public information related to the business, operations, financial performance, and stock trading history of Trilogy and other selected public entities considered by Deloitte to be relevant;
- (s) public information with respect to other transactions of a comparable nature considered by Deloitte to be relevant;
- (t) various institutional analyst research reports related to Trilogy;
- (u) the Trilogy AIF;
- (v) the management information circular of Trilogy dated March 9, 2017;
- (w) organizational structure for Trilogy, as at June 1, 2017;
- (x) representations contained in a certificate addressed to Deloitte, dated as at July 6, 2017, from Trilogy Management as to the completeness and accuracy of the information upon which the Trilogy Valuation and the Trilogy Fairness Opinion are based;
- (y) representations contained in a certificate addressed to Deloitte, dated as at July 6, 2017, from the Trilogy Special Committee as to Deloitte's reliance on the scope of review set forth in the Trilogy Valuation, as well as confirmation that the Trilogy Special Committee has no knowledge of any information that would affect the conclusions noted in the Trilogy Valuation; and
- (z) such other corporate, industry, financial market information, investigations, and analyses as Deloitte considered necessary or appropriate in the circumstances.

The foregoing is only a summary of Deloitte's scope of review in preparing the Valuations. For the full particulars of Deloitte's scope of review, please refer to the full text of the Valuation Reports which will be available on SEDAR at www.sedar.com.

Restrictions, Limitations and Assumptions

Deloitte relied upon the completeness, accuracy, and fair presentation of all the financial and other information, data, advice, opinions or representations obtained by Deloitte from Paramount Management, Trilogy Management or other advisors to Paramount and Trilogy (collectively, referred to as the "**Information**"). The Valuations are conditional upon the completeness, accuracy, and fair presentation of such Information. Deloitte did not attempt to independently verify the completeness, accuracy, or fair presentation of the Information. Additionally, Deloitte did not attempt to audit any information obtained in the public domain. Paramount Management and Trilogy Management did, however, provide Deloitte with a certification as to the completeness and accuracy of the Information that was provided to Deloitte in connection with Deloitte's preparation of the Valuations and the Fairness Opinions.

No opinion, counsel, or interpretation is intended in matters that require legal, regulatory, or tax analysis or other appropriate professional advice. Deloitte assumed that such opinions, counsel, or interpretations

had been or were going to be obtained from the appropriate professional sources by the Companies or the Special Committees. To the extent that there were legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, Deloitte assumes no responsibility, in connection with such matters, other than as publicly disclosed by the Companies or specifically disclosed to Deloitte, that:

- (a) the title to all such assets, properties, or business interests purportedly owned by the Companies and their subsidiaries is good and marketable, and there are no adverse interests, encumbrances, engineering, environmental, zoning, planning, or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all liens, encumbrances, or encroachments, other than as disclosed to Deloitte;
- (b) there is compliance with all applicable federal, local, and national regulations and laws in all material respects, as well as the policies of all applicable regulators, and that all required licenses, rights, consents, or legislative or administrative authority from any federal, local, or national government, private entity, regulatory agency, or organization have been or can be obtained or renewed for the operations of the Companies and their subsidiaries in their ordinary course of business;
- (c) there are no material legal proceedings regarding the business, assets, or affairs of the Companies and their subsidiaries other than as disclosed to Deloitte;
- (d) there were no material contingent or unrecorded liabilities, environmental liabilities, litigation pending or threatened in the ordinary course of business other than as disclosed to Deloitte; and
- (e) based on Deloitte's discussions with Paramount Management and Trilogy Management, Deloitte notes that nothing has occurred or is pending to the date of the Valuations, which has not been disclosed to Deloitte, and which could be expected to have a material effect on the Valuations, as at the Valuation Date.

Deloitte believes that the Valuations must be considered as a whole and that selecting portions of the analysis or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Valuations. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or a summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Paramount Board and the Trilogy Board reiterate the importance of reading the Valuation Reports and Fairness Opinions in their entirety. The Valuation Reports will be made available on the respective profiles of Paramount and Trilogy on SEDAR at www.sedar.com. The Paramount Fairness Opinion is attached as Appendix F hereto and the Trilogy Fairness Opinion is attached as Appendix G hereto.

The Valuations were rendered as at the Valuation Date on the basis of securities markets, economic, financial, and general business conditions prevailing, as at the Valuation Date, and the condition and prospects, financial and otherwise, of the Companies and any of their subsidiaries and affiliates, as they were reflected in the Information and as they were represented to Deloitte in discussions with management. In Deloitte's analyses and in preparing the Valuations, Deloitte made numerous assumptions with respect to industry performance, general business, and economic conditions many of which are beyond Deloitte's control or any party involved in the Merger.

Deloitte was not retained to comment on the investment or strategic merit of the Merger or the future operations of Paramount or Trilogy. Future business conditions are subject to change and are beyond Deloitte's control and the Companies involved in the Merger.

Fair Market Value

In providing the Valuations, Deloitte was guided by the definition of fair market value in MI 61-101. Fair market value is defined as the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act.

In determining the fair market value of each of the Paramount Shares and the Trilogy Shares, and consistent with MI 61-101, Deloitte did not include a downward adjustment to reflect the liquidity of the Paramount Shares or the Trilogy Shares, the effect of the Merger on the Paramount Shares or Trilogy Shares, or the fact that some shares do not form part of a controlling interest. Consequently, the Valuations provide a conclusion on a per share basis with respect to "en bloc" value of Paramount and Trilogy, being the price at which all of the Paramount Shares or Trilogy Shares could be sold to one or more buyers at the same time.

General Approaches to Value

There are generally three approaches to value for businesses that have commercial value as a going concern. These include the asset-based approach, the income approach and the market approach.

Asset-based Approach

The two most common asset-based approaches are the cost method and the adjusted net asset value method.

The cost approach is based on the premise that a prudent third party purchaser would pay no more for an asset than its replacement cost. The cost to replace an asset would include all costs necessary to construct a similar asset of equivalent utility at prices applicable at the time of reconstruction. To the extent that the assets being valued provide less utility than a newly constructed asset, the reproduction or replacement value would take into account appropriate physical deterioration, functional obsolescence, and economic obsolescence.

The adjusted net asset value approach is a form of asset-based approach whereby the tangible assets and liabilities of a business are adjusted to their current fair market values, with the resultant net equity representing the going concern value of the business. This approach is generally used where a company is properly valued as a going concern and the going concern value is closely related to the value of the underlying assets.

Income Approach

The income approach measures the value of an asset by the present value of its future net economic benefits to be enjoyed over the life of the asset. These benefits may include earnings, cost savings, tax deductions, and proceeds from disposition. The steps followed in applying this approach include estimating the expected cash flows attributable to the asset over its life and converting these cash flows to present value through discounting or capitalizing. The discount rate or capitalization rate selected incorporates an appropriate return for time value of money, the expected rate of inflation, and any specific risks associated with the particular asset. The discount rate or capitalization rate selected is generally based on rates of return from alternative investments of similar type and quality, as at the valuation date.

Market Approach

The market approach measures the value of an asset based on what other purchasers in the marketplace have paid for assets, which can be considered reasonably similar to those being valued. When the market approach is applied, data on guideline companies or assets are collected on the prices paid for reasonably comparable companies or assets, whether through the traded price of the guideline public company shares or the asset transaction prices. Considerations and adjustments are made to the comparable companies or assets, as necessary, to compensate for differences in financial condition,

operating performance, economic, environmental, and political factors. Application of the market approach results in an estimate of the price the owner might reasonably expect to receive from the sale of the subject asset in the notional marketplace.

Selected Approaches to Value

Based upon Deloitte's review of the assets and business operations of Paramount and Trilogy, Deloitte determined the following approaches to be appropriate in determining various indicative fair market value ranges of the Paramount Shares and the Trilogy Shares, as at the Valuation Date: (a) adjusted net asset value approach (an asset-based approach); (b) the guideline public company multiples approach (a market approach); and (c) the precedent transactions multiples approach (also a market approach). Deloitte considered the results of these various valuation approaches and then selected a single value range for the Paramount Shares and the Trilogy Shares on a per share basis.

Adjusted Net Asset Value Approach

In order to calculate the net equity value per share for each of Paramount and Trilogy under the adjusted net asset value approach, Deloitte selected an appropriate valuation method to determine the fair market value of each asset and liability of Paramount and Trilogy, as presented on the respective balance sheets of Paramount and Trilogy, as at the Valuation Date.

The assets and liabilities of Paramount were grouped into classes by Deloitte consisting of investments in public company securities; investments in private company securities; proved and probable reserves; undeveloped land; hedging contracts; deferred tax liabilities; net debt (inclusive of working capital); decommissioning and restoration liabilities; and general and administrative expenses. In arriving at the adjusted net asset value of Paramount, various valuation approaches were required to determine the fair market value of the underlying assets and liabilities of Paramount, which are summarized and included in Section 4 of the Paramount Valuation Report and Schedule 2A and Schedule 2B of the Paramount Valuation Report.

The assets and liabilities of Trilogy were grouped into classes by Deloitte consisting of proved and probable reserves; undeveloped land; hedging contracts; goodwill; deferred tax assets; net debt (inclusive of working capital); decommissioning and restoration liabilities; and general and administrative expenses. In arriving at the adjusted net asset value of Trilogy, various valuation approaches were required to determine the fair market value of the underlying assets and liabilities of Trilogy, which are summarized and included in Section 4 of the Trilogy Valuation Report and Schedule 2A and Schedule 2B of the Trilogy Valuation Report.

Guideline Public Company Multiples Approach

The guideline public company approach involves reviewing the trading multiples of guideline public companies, as at the Valuation Date, to calculate a range of fair market values for the Paramount Shares and the Trilogy Shares. In selecting the guideline public companies, Deloitte placed emphasis on companies focused on the exploration and production of oil and gas assets in Canada, with assets in similar geographies and with similar characteristics to those of Paramount and Trilogy, as applicable.

The guideline public companies in the case of Paramount included Advantage Oil & Gas Ltd., ARC Resources Ltd., Bellatrix Exploration Ltd., Birchcliff Energy Ltd., Bonavista Energy Corporation, Crew Energy Inc., Delphi Energy Corp., Kelt Exploration Ltd., NuVista Energy Ltd., Painted Pony Energy Ltd., Peyto Exploration & Development Corp., Seven Generations Energy Ltd., Storm Resources Ltd., Tourmaline Oil Corp. and Trilogy Energy Corp. The guideline public companies in the case of Trilogy included Birchcliff Energy Ltd., Crew Energy Ltd., Kelt Exploration Ltd., Painted Pony Energy Ltd., Advantage Oil & Gas Ltd., NuVista Energy Ltd., Bellatrix Exploration Ltd., Peyto Exploration & Development Inc., Paramount Resources Ltd., Seven Generations Energy Ltd., ARC Resources Ltd., Delphi Energy Corp., Tourmaline Oil Corp., Storm Resources Ltd. and Bonavista Energy Corporation.

In performing this analysis, Deloitte considered the following multiples: share price / cash flow per share; enterprise value / EBITDA; enterprise value / debt adjusted cash flow; and enterprise value / BOE/d. Deloitte's analysis regarding the guideline public company value multiples is set forth in Schedule 11 of the Paramount Valuation Report and Schedule 10 of the Trilogy Valuation Report. Deloitte then applied selected multiples to the relevant financial metrics for Paramount and Trilogy to estimate the fair market value of Paramount and Trilogy on an enterprise value basis, from which Deloitte made adjustments for net debt and other assets and liabilities to arrive at estimates of the fair market value of the Paramount Shares and the Trilogy Shares.

Precedent Transactions Multiples Approach

The precedent transactions multiples approach involves reviewing the implied multiples from corporate and asset transactions in the exploration and production sector of the oil and gas industry to calculate value relationships implicit in those transactions that can be used to estimate the fair market value of the Paramount Shares and the Trilogy Shares. Precedent transactions, from 2015 to the Valuation Date, were selected based on the similarity of the assets involved to assets of Paramount and Trilogy, as applicable. The list of identified transactions can be found in Schedule 12 of the Paramount Valuation Report and Schedule 11 of the Trilogy Valuation Report. Using publicly available information, the following multiples were calculated and analyzed: enterprise value / proved plus probable reserves; and enterprise value / Boe/d.

Deloitte then applied a range within the median of these selected transaction multiples and applied them to the relevant metrics for Paramount and Trilogy to estimate the fair market value of Paramount and Trilogy on an enterprise value basis, from which Deloitte made adjustments for net debt and other assets and liabilities to arrive at estimates of the fair market value of the Paramount Shares and the Trilogy Shares.

Paramount Valuation Conclusions

In the Paramount Valuation Report, Deloitte has advised that, based upon the scope of Deloitte's review and Deloitte's research, analysis and experience, and subject to the assumptions, restrictions, and qualifications set out in the Paramount Valuation Report, the fair market value of the Paramount Shares on a fully diluted basis, as at the Valuation Date, is in a range of \$20.10 to \$24.10 per Paramount Share, with a mid-point of \$22.10 per Paramount Share.

A copy of the Paramount Valuation Report will be filed under Paramount's profile on SEDAR at www.sedar.com and will be available for inspection at the offices of Paramount at 4700 Bankers Hall West, 888 3rd Street SW, Calgary AB T2P 5C5. A copy of the Paramount Valuation Report will be sent free of charge to any Paramount Shareholder or Trilogy Shareholder upon request.

Trilogy Valuation Conclusions

In the Trilogy Valuation Report, Deloitte has advised that, based upon the scope of Deloitte's review and Deloitte's research, analysis and experience, and subject to the assumptions, restrictions, and qualifications set out in the Trilogy Valuation Report, the fair market value of the Trilogy Shares on a fully diluted basis, as at the Valuation Date, is in a range of \$5.50 to \$6.70 per Trilogy Share, with a mid-point of \$6.10 per Paramount Share.

A copy of the Trilogy Valuation Report will be filed under Paramount's profile on SEDAR at www.sedar.com and will be available for inspection at the offices of Trilogy at Suite 1400, 332 6 Avenue SW, Calgary AB T2P 0B2. A copy of the Trilogy Valuation Report will be sent free of charge to any Paramount Shareholder or Trilogy Shareholder upon request.

Fairness Opinions

Deloitte verbally delivered the Fairness Opinions to the Special Committees on July 4, 2017. Deloitte subsequently delivered the written Fairness Opinions. In arriving at its fairness conclusions in each of the Paramount Fairness Opinion and the Trilogy Fairness Opinion, Deloitte considered and relied upon its methodology, information and analysis set forth in the Valuation Reports. Readers are encouraged to read the Valuation Reports in their entirety.

Paramount Fairness Opinion

In the Paramount Fairness Opinion, Deloitte determined, subject to the assumptions and limitations contained in the Paramount Fairness Opinion, that the consideration to be paid by Paramount in connection with the Merger is fair, from a financial point of view, to the Paramount Shareholders.

A copy of the Paramount Fairness Opinion is attached as Appendix F. Holders of Paramount Shares are urged to read the Paramount Fairness Opinion in its entirety.

Trilogy Fairness Opinion

In the Trilogy Fairness Opinion, Deloitte determined, subject to the assumptions and limitations contained in the Trilogy Fairness Opinion, that the consideration to be paid by Paramount in connection with the Merger is fair, from a financial point of view, to the Trilogy Shareholders.

A copy of the Trilogy Fairness Opinion is attached as Appendix G. Holders of Trilogy Shares are urged to read the Trilogy Fairness Opinion in its entirety.

Recommendations by the Boards

After considering the reports and recommendations and the factors considered by their respective Special Committees, including the Valuations and the Fairness Opinions of Deloitte, the boards of directors of Paramount and Trilogy unanimously adopted the recommendations of their Special Committees and approved the Arrangement Agreement. In the case of Paramount, Clayton H. Riddell and James H.T. Riddell abstained from voting but concurred with the decision of the Paramount Board. In the case of Trilogy, Clayton H. Riddell, James H.T. Riddell and E. Mitchell Shier abstained from voting but concurred with the decision of the Trilogy Board.

The Paramount Board unanimously recommends that the Paramount Shareholders vote FOR the Paramount Merger Resolution.

The Trilogy Board unanimously recommends that the Trilogy Shareholders vote FOR the Trilogy Arrangement Resolution.

DETAILS OF THE MERGER

The following is a summary only of the Merger and reference should be made to the full text of the Arrangement Agreement and the Plan of Arrangement set forth in Appendix C to this Circular.

Pursuant to the Plan of Arrangement, commencing at the Effective Time, the following shall occur and shall be deemed to occur simultaneously without any further act or formality:

- (a) all of the issued and outstanding Trilogy Shares (other than (i) Trilogy Shares beneficially owned by and registered in the name of Paramount and (ii) the Trilogy Common Shares held by Dissenting Shareholders) shall be transferred to Paramount (free of any claims) and Paramount shall issue to each Trilogy Shareholder whose Trilogy Shares have been so transferred one Paramount Share for every 3.75 Trilogy Shares so transferred, subject to rounding; and

- (b) the Trilogy Common Shares held by Dissenting Shareholders shall be transferred to Paramount (free of any claims) and such Dissenting Shareholders shall cease to have rights as Trilogy Shareholders, other than the right to be paid by Paramount the fair value of their Trilogy Common Shares in accordance with the Dissent Rights.

Pursuant to the Plan of Arrangement, no fractional Paramount Shares will be issued upon the exchange of Trilogy Shares. Where the aggregate number of Paramount Shares to be issued to a former Trilogy Shareholder would result in a fraction of a Paramount Share being issued, such Trilogy Shareholder shall receive, in lieu of such fractional share, the nearest whole number of Paramount Shares, as applicable. For greater certainty where such fractional interest is greater than or equal to 0.5, the number of Paramount Shares to be issued will be rounded up to the nearest whole number and where such fractional interest is less than 0.5, the number of Paramount Shares to be issued will be rounded down to the nearest whole number.

As at July 31, 2017, there were 105,312,350 Trilogy Common Shares and 20,835,862 Trilogy Non-Voting Shares outstanding. Paramount owns 12,755,845 Trilogy Common Shares and 6,388,490 Trilogy Non-Voting Shares. Accordingly, based on the Trilogy Shares outstanding as at July 31, 2017, Paramount will issue 28,534,367 Paramount Shares (subject to rounding) to acquire all of the outstanding Trilogy Shares not owned by it.

The respective obligations of Paramount and Trilogy to complete the transactions contemplated by the Arrangement Agreement are subject to a number of conditions which must be satisfied in order for the Merger to become effective. Upon all of the conditions being fulfilled or waived, Trilogy is required to file a copy of the Final Order and the Articles of Arrangement with the Registrar in order to give effect to the Merger.

The Arrangement Agreement

General

The Merger will be effected pursuant to the terms and conditions of the Arrangement Agreement. The Arrangement Agreement contains covenants, representations and warranties of and from each of Trilogy and Paramount and various conditions precedent, both mutual and for the sole benefit of each of Trilogy and Paramount.

Unless all of such conditions are satisfied or waived by the party for whose benefit such conditions exist, to the extent they may be capable of waiver, the Merger will not proceed. There is no assurance that the conditions will be satisfied or waived on a timely basis, or at all.

The following is a summary of certain provisions of the Arrangement Agreement and is qualified in its entirety by the full text of the Arrangement Agreement, set forth in Appendix C to this Circular. Shareholders are urged to read the Arrangement Agreement in its entirety.

Representations and Warranties and Covenants Relating to the Conduct of Business of Paramount and Trilogy

The Arrangement Agreement contains certain customary representations and warranties of each of Trilogy and Paramount relating to, among other things, their respective organization, capitalization, operations, compliance with laws and regulations and other matters, including their authority to enter into the Arrangement Agreement and to consummate the Merger. For the complete text of the applicable provisions, see Sections 3.1, 3.2 and 3.3 of the Arrangement Agreement.

In addition, pursuant to the Arrangement Agreement, each of the parties has covenanted, among other things, to do and perform all acts and things to facilitate and carry out the intent and purpose of the Arrangement Agreement, in the case of Trilogy, to apply for the Interim Order and Final Order, and in the

case of Paramount, to call the Paramount Meeting and apply for the listing of the Paramount Shares issuable under the Merger on the TSX and in each case to use commercially reasonable efforts to obtain Competition Act Approval and to maintain its business in the usual and ordinary course and refrain from taking certain actions outside the ordinary course. For the complete text of the applicable provisions, see Sections 4.1, 4.2 and 4.4 of the Arrangement Agreement.

Mutual Conditions

The respective obligations of Paramount and Trilogy to complete the transactions contemplated by the Arrangement Agreement are subject to the satisfaction of the following conditions on or before the Effective Date, any of which may be waived by the mutual consent of Paramount and Trilogy:

- (a) the Interim Order shall have been granted in form and substance satisfactory to Paramount and Trilogy, each acting reasonably;
- (b) the Trilogy Arrangement Resolution shall have been approved by the Trilogy Shareholders at the Trilogy Meeting in accordance with the Interim Order;
- (c) the Paramount Merger Resolution shall have been passed by the Paramount Shareholders at the Paramount Meeting in accordance with the Arrangement Agreement;
- (d) the Final Order shall have been granted in form and substance satisfactory to Paramount and Trilogy, each acting reasonably;
- (e) the TSX shall have conditionally approved the listing of the Paramount Shares issuable under the Arrangement, subject to compliance with the normal listing requirements of the TSX;
- (f) the Competition Act Approval and all other material consents, orders and approvals, including any regulatory or judicial approvals or orders, that are necessary to effect the Arrangement shall have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances on terms and conditions acceptable to the Parties, each acting reasonably;
- (g) the requisite consents under each Party's credit agreements shall have been obtained;
- (h) no order or decree restraining or enjoining the consummation of the Arrangement shall be in force at the time for filing the Articles of Arrangement required to give effect to the Arrangement;
- (i) the Apache Canada Acquisition shall have been completed substantially on the terms of the Apache Canada Acquisition Agreement; and
- (j) the Arrangement Agreement shall not have been terminated in accordance with its terms.

Conditions in Favour of Paramount

The Arrangement Agreement provides that Paramount is not required to complete the Merger unless each of the following conditions is satisfied on or before the Effective Date, which conditions are for the exclusive benefit of Paramount and may only be waived, in whole or in part, by Paramount, in its sole discretion. These additional conditions provide that:

- (a) the representations and warranties made by Trilogy in the Arrangement Agreement shall be true and correct in all material respects (or, if qualified by Material Adverse Effect or materiality in any manner, true and correct) as of the Effective Date as if made on and as

of such date (except to the extent such representations and warranties speak as of an earlier date) and Trilogy shall have provided to Paramount a certificate of two officers certifying same on the Effective Date;

- (b) Trilogy shall have complied in all material respects with its covenants in the Arrangement Agreement, and Trilogy shall have provided to Paramount a certificate of two officers certifying same on the Effective Date;
- (c) since the date of the Arrangement Agreement there shall not have occurred a Material Adverse Change with respect to Trilogy; and
- (d) Trilogy Common Shareholders holding no more than 5% of the Trilogy Shares shall have exercised Dissent Rights.

Conditions in Favour of Trilogy

The Arrangement Agreement provides that Trilogy is not required to complete the Merger unless each of the following conditions is satisfied on or before the Effective Date, which conditions are for the exclusive benefit of Trilogy and may only be waived, in whole or in part, by Trilogy, in its sole discretion. These additional conditions provide that:

- (a) the representations and warranties made by Paramount in the Arrangement Agreement shall be true and correct in all material respects (or, if qualified by materiality in any manner, true and correct) as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date), and Paramount shall have provided to Trilogy a certificate of two officers certifying same on the Effective Date;
- (b) Paramount shall have complied in all material respects with its covenants in the Arrangement Agreement, and Paramount shall have provided to Trilogy a certificate of two officers certifying same on the Effective Date; and
- (c) since the date of the Arrangement Agreement there shall not have occurred a Material Adverse Change with respect to Paramount.

Mutual Covenants Regarding Non-Solicitation

Under the Arrangement Agreement, Paramount and Trilogy have agreed to certain non-solicitation covenants as follows:

- (a) Neither Party shall, directly or indirectly, do or authorize or permit any of its representatives to do, any of the following:
 - (i) solicit, knowingly facilitate, initiate or encourage any Acquisition Proposal in respect of such Party; or
 - (ii) subject to the provisions described under paragraph (b) below, accept, recommend, approve or enter into an agreement to implement an Acquisition Proposal.
- (b) Notwithstanding the provisions described under paragraph (a) above or any other provision of the Arrangement Agreement, each Party and its officers, directors and advisers may, prior to the approval of the Paramount Merger Resolution at the Paramount Meeting in respect of Paramount or the Trilogy Arrangement Resolution at the Trilogy Meeting in respect of Trilogy:

- (i) enter into or participate in discussions or negotiations with a third party who after the date of the Arrangement Agreement and without any solicitation, initiation or encouragement, directly or indirectly, by such Party or any of its representatives, seeks to initiate such discussions or negotiations and may furnish to such third party information concerning such Party and its business, properties and assets, with respect to an Acquisition Proposal, provided that prior to furnishing such information to or entering into or participating in any such discussions or negotiations with such third party, the Party shall (1) provide prompt notice to the other Party to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such third party, and, if not previously provided to such other Party, copies of all information provided to such third party concurrently with the provision of such information to such third party, (2) notify the other Party orally and in writing of any inquiries, offers or proposals with respect to an actual or contemplated Superior Proposal (which written notice shall include a copy of any such proposal (and any amendments or supplements thereto), the identity of the person making it, if not previously provided to the other Party and copies of all information provided to the third party), within 24 hours of the receipt thereof, and (3) keep the other Party informed of the status and details of any such inquiry, offer or proposal and answer the other Party's reasonable questions with respect thereto;
- (ii) comply with National Instrument 62-104 — *Take-Over Bids and Issuer Bids* and similar provisions under applicable securities laws relating to the provision of directors' circulars and make appropriate disclosure with respect thereto to its securityholders; and
- (iii) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation, (1) the board of directors of the Party subject to the Superior Proposal concludes in good faith, after considering all proposals to adjust the terms and conditions of the Arrangement Agreement and after receiving the advice of outside counsel as reflected in minutes of the board of directors of such Party, that the taking of such action is necessary for such board of directors to act in a manner consistent with its fiduciary duties under applicable laws and (2) such Party terminates the Arrangement Agreement in accordance with its terms and concurrently therewith pays the expense reimbursement provided for under the Arrangement Agreement.

Termination

The Arrangement Agreement may be terminated at any time prior to the Effective Date:

- (a) by the mutual written consent of each of the Parties;
- (b) by Paramount if any of the conditions in Section 2.7 (Mutual Conditions Precedent) or Section 2.8 (Conditions in Favour of Paramount) of the Arrangement Agreement has not been satisfied or waived in accordance with those sections by the Completion Deadline or such condition is incapable of being satisfied by the Completion Deadline, and provided that Paramount is then not in breach of the Arrangement Agreement so as to cause any of the conditions set forth in Section 2.7 of the Arrangement Agreement not to be satisfied;
- (c) by Trilogy if any of the conditions in Section 2.7 (Mutual Conditions Precedent) or Section 2.9 (Conditions in Favour of Trilogy) of the Arrangement Agreement has not been satisfied or waived in accordance with those sections by the Completion Deadline or such condition is incapable of being satisfied by the Completion Deadline, and provided that

Trilogy is then not in breach of the Arrangement Agreement so as to cause any of the conditions set forth in Section 2.7 of the Arrangement Agreement not to be satisfied;

- (d) by Paramount if the Trilogy Board shall have made a change in, or withdrawal of, its recommendation to Trilogy Shareholders that they vote in favour of the Trilogy Arrangement Resolution;
- (e) by Trilogy if the Paramount Board shall have made a change in, or withdrawal of, its recommendation to Paramount Shareholders that they vote in favour of the Paramount Merger Resolution;
- (f) by either Paramount or Trilogy if the Trilogy Meeting shall have been held and completed and the requisite Trilogy Shareholder approval pursuant to the Interim Order shall not have been obtained;
- (g) by either Paramount or Trilogy if the Paramount Meeting shall have been held and completed and the requisite Paramount Shareholder approval in respect of the Paramount Merger Resolution shall not have been obtained;
- (h) by either Paramount or Trilogy if the Arrangement shall not have been completed by the Completion Deadline, provided that a Party shall not be entitled to terminate the Arrangement Agreement if the non-completion is primarily due to the acts or omissions of such Party or the breach of such Party's covenants under the Arrangement Agreement; and
- (i) by either Paramount or Trilogy in order to accept, recommend, approve or enter into an agreement to implement a Superior Proposal in accordance with subsection 5.1(b)(iii) (Mutual Covenant Regarding Non-Solicitation) of the Arrangement Agreement, provided that such Party (i) has complied with its obligations set forth in Section 5.1 of the Arrangement Agreement and (ii) reimburses the other Party for its expenses in accordance with subsection 7.1(b) or 7.1(c) (Expenses) of the Arrangement Agreement, as applicable.

Where a Party terminates the Arrangement Agreement in accordance with the provision described in paragraphs (b) or (c) above, the non-terminating Party shall be entitled to cure any breach of a covenant or representation and warranty or other matters within five business days after receipt of notice of termination (except that no cure period shall be provided for a breach or other matter which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Completion Deadline). In the event of any such termination, subject to the obligations of a Party to reimburse the other Party's expenses pursuant to the Arrangement Agreement, each Party shall be deemed to have released, remised and forever discharged the other Party in respect of any and all claims arising in respect of the Arrangement Agreement, except as otherwise provided under the Arrangement Agreement. Notwithstanding the foregoing, no Party shall be relieved from liability for any breach of any provision of the Arrangement Agreement or preclude any Party from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in the Arrangement Agreement or the confidentiality agreement between the Parties or otherwise to obtain specific performance of any of such acts, covenants or agreements, without the necessity of posting bond or security in connection therewith.

Expenses

Subject to the expense reimbursement noted below and as fully set forth in subsections 7.1(b) and 7.1(c) of the Arrangement Agreement, all out-of-pocket expenses incurred in connection with the Merger will be paid by the Party incurring such expense. For the complete text of the applicable provision, see Section 7.1 of the Arrangement Agreement.

In the event that:

- (a) the Arrangement Agreement is terminated by Paramount pursuant to subsection 6.2(b) thereof because one or more conditions in favour of Paramount in subsections 2.8(a), 2.8(b) or 2.8(c) thereof were not satisfied;
- (b) the Arrangement Agreement is terminated by Paramount pursuant to (A) subsection 6.2(d) thereof or (B) subsection 6.2(h) thereof (other than due to the failure to obtain the requisite shareholder approvals required for the Trilogy Arrangement Resolution or the Paramount Merger Resolution);
- (c) the Arrangement Agreement is terminated by either Paramount or Trilogy pursuant to subsection 6.2(f) thereof where, prior to the Trilogy Meeting, an Acquisition Proposal had been made to Trilogy and made known to Trilogy Shareholders generally or had been made directly to Trilogy Shareholders or any person shall have publicly announced an intention to make an Acquisition Proposal in respect of Trilogy, the Trilogy Board fails to recommend unequivocally against acceptance of such Acquisition Proposal as soon as practicable and in any event prior to the Trilogy Meeting and such announced intention shall not have been publicly withdrawn prior to the Trilogy Meeting and, thereafter, the Trilogy Shareholders do not approve the Trilogy Arrangement Resolution at the Trilogy Meeting; or
- (d) the Arrangement Agreement is terminated by Trilogy pursuant to subsection 6.2(i) thereof,

then Trilogy shall reimburse Paramount for all reasonable out-of-pocket expenses incurred by Paramount in connection with the Arrangement Agreement and the Merger.

In the event that:

- (a) the Arrangement Agreement is terminated by Trilogy pursuant to subsection 6.2(c) thereof because one or more conditions in favour of Trilogy in Section 2.9 thereof were not satisfied;
- (b) the Arrangement Agreement is terminated by Trilogy pursuant to (A) subsection 6.2(e) or (B) subsection 6.2(h) thereof (other than due to the failure to obtain the requisite shareholder approvals required for the Trilogy Arrangement Resolution or the Paramount Merger Resolution);
- (c) the Arrangement Agreement is terminated by either Paramount or Trilogy pursuant to subsection 6.2(g) thereof where, prior to the Paramount Meeting, an Acquisition Proposal had been made to Paramount and made known to Paramount Shareholders generally or had been made directly to Paramount Shareholders or any person shall have publicly announced an intention to make an Acquisition Proposal in respect of Paramount, the Paramount Board fails to recommend unequivocally against acceptance of such Acquisition Proposal as soon as practicable and in any event prior to the Paramount Meeting and such announced intention shall not have been publicly withdrawn prior to the Paramount Meeting and, thereafter, the Paramount Shareholders do not approve the Paramount Merger Resolution at the Paramount Meeting; or
- (d) the Arrangement Agreement is terminated by Paramount pursuant to subsection 6.2(i) thereof,

then Paramount shall reimburse Trilogy for all reasonable out-of-pocket expenses incurred by Trilogy in connection with the Arrangement Agreement and the Merger.

Treatment of Trilogy Options

In accordance with the terms of the Trilogy Option Plan, the Trilogy Board has authorized the amendment of the Trilogy Options effective immediately after the completion of the Merger so that they will entitle the Trilogy Optionholders to purchase the number of Paramount Shares equal to the number of Trilogy Common Shares issuable under such Trilogy Options divided by 3.75 at an adjusted exercise price, equal to the exercise price of such Trilogy Options multiplied by 3.75. As at July 31, 2017, there were 5,166,720 Trilogy Options outstanding. Accordingly, up to 1,377,792 Paramount Shares will be issuable pursuant to the Trilogy Options following completion of the Merger.

All other terms and conditions of the Trilogy Options, including the term to expiry, conditions to and manner of exercising, will be the same as the Trilogy Options prior to their amendment, and shall be governed by the terms of the Trilogy Option Plan and any certificate or option agreement previously evidencing the Trilogy Option shall thereafter evidence and be deemed to evidence such amended Trilogy Option. If required to comply with subsection 7(1.4) of the Tax Act, the exercise price of each amended Trilogy Option will be increased such that (i) the excess (if any) of the aggregate fair market value of the Paramount Shares underlying such holder's amended Trilogy Option immediately following the amendment over the aggregate exercise price of such amended Trilogy Option otherwise determined does not exceed (ii) the excess (if any) of the aggregate fair market value of the Trilogy Common Shares underlying the holder's corresponding Trilogy Option immediately before the amendment over the aggregate exercise price of such Trilogy Option.

Procedure for the Arrangement to Become Effective

The Arrangement is proposed to be carried out pursuant to section 193 of the Act. The following procedural steps must be taken for the Arrangement to become effective, subject to further order of the Court:

- (a) the Trilogy Arrangement Resolution must be approved by the Trilogy Shareholders at the Trilogy Meeting in the manner set forth in the Interim Order;
- (b) the Paramount Merger Resolution must be approved by the Paramount Shareholders at the Paramount Meeting in the manner set forth under the rules of the TSX and the applicable provisions of MI 61-101;
- (c) the Arrangement must be approved by the Court pursuant to the Final Order;
- (d) the Competition Act Approval and all other material consents shall have been obtained on terms and conditions acceptable to Paramount and Trilogy;
- (e) the Apache Canada Acquisition shall have been completed substantially on the terms of the Apache Canada Acquisition Agreement;
- (f) all conditions precedent to the Arrangement as set forth in the Arrangement Agreement must be satisfied or waived by the appropriate parties; and
- (g) the Final Order and Articles of Arrangement, in the form prescribed by the Act, must be filed with the Registrar.

There is no assurance that the conditions set out in the Arrangement Agreement will be satisfied or waived on a timely basis. Upon the conditions precedent set forth in the Arrangement Agreement being satisfied, or waived, Trilogy intends to file a copy of the Final Order and Articles of Arrangement with the Registrar together with such other materials as may be required by the Registrar, in order to give effect to the Arrangement.

Key Approvals

Trilogy Shareholder Approval

For the Arrangement to be implemented (subject to further order of the Court), the Trilogy Arrangement Resolution approving the Arrangement must be approved by:

- (a) at least 66 2/3% of the votes cast by all Trilogy Shareholders present in person or by proxy at the Trilogy Meeting, voting as a single class; and
- (b) by a majority of the votes cast by all Trilogy Common Shareholders present in person or by proxy at the Trilogy Meeting after excluding the votes attached to Trilogy Common Shares that, to the knowledge of Trilogy and its directors and senior officers, after reasonable inquiry, are beneficially owned or over which control or direction is exercised by the Trilogy Interested Parties.

As at July 31, 2017, there were 105,312,350 Trilogy Shares issued and outstanding. To the knowledge of Trilogy and its directors and senior officers after reasonable inquiry, the Trilogy Interested Parties own an aggregate of 41,390,044 Trilogy Common Shares, which represent approximately 39.3% of the issued and outstanding Trilogy Common Shares. See “*Details of the Merger – Securities Law Matters*”.

In order for Trilogy Shareholders to have their Trilogy Shares represented at the Meeting, Trilogy Shareholders should complete the enclosed form of proxy, or return the voting instruction form or other authorization form provided to them by their broker or intermediary in accordance with the instructions provided therein. See “*General Proxy Matters for Paramount and Trilogy*”.

Paramount Shareholder Approval

For the Arrangement to be implemented, the Paramount Merger Resolution must be approved by a majority of the votes cast by all Paramount Shareholders present in person or by proxy at the Paramount Meeting, after excluding the votes attached to Paramount Shares that, to the knowledge of Paramount and its directors and senior officers, after reasonable inquiry, are beneficially owned or over which control or direction is exercised by (a) the Paramount Interested Parties and (b) Paramount directors and senior officers who hold Trilogy Shares.

As at July 31, 2017, there were 106,234,615 Paramount Shares issued and outstanding. To the knowledge of Paramount and its directors and senior officers after reasonable inquiry, the Paramount Interested Parties own an aggregate of 50,198,437 Paramount Shares, which represent approximately 47% of the issued and outstanding Paramount Shares. Paramount directors and senior officers who hold Trilogy Shares hold an aggregate of 961,663 Paramount Shares, which, together with the Paramount Shares held by the Paramount Interested Parties, represent approximately 48% of the issued and outstanding Paramount Shares. See “*Details of the Merger – Securities Law Matters*”.

In order for Paramount Shareholders to have their Paramount Shares represented at the Meeting, Paramount Shareholders should complete the enclosed form of proxy, or return the voting instruction form or other authorization form provided to them by their broker or intermediary in accordance with the instructions provided therein. See “*General Proxy Matters for Paramount and Trilogy*”.

Court Approval

The Act provides that the Arrangement requires approval of the Court. Prior to the mailing of this Circular, Trilogy was granted the Interim Order providing for the calling and holding of the Trilogy Meeting and other procedural matters. A copy of the Interim Order is set forth in Appendix D to this Circular.

As provided in the Notice of Originating Application (a copy of which accompanies this Circular), the hearing in respect of the Final Order is scheduled to take place on September 11, 2017 at 2:30 p.m. At the hearing, any Trilogy Shareholder or other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing a Notice of Intention to Appear on or before September 6, 2017 at 5:00 p.m. (Calgary time), and satisfying other requirements. See “*Notice of Originating Application*”.

Trilogy has been advised by its counsel, Norton Rose Fulbright Canada LLP, that the Court has broad discretion under the Act when making orders in respect of the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement to Trilogy Shareholders. The Court is not bound by the affirmative vote of the Trilogy Shareholders. The Court may approve the Arrangement either as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. However, if any amendments are made to the Arrangement, it is a condition of the completion of the Arrangement that the Final Order be, in form and substance, reasonably satisfactory to Paramount and Trilogy.

Stock Exchange Approval

Paramount is a reporting issuer under the securities laws in each of the provinces of Canada. The Paramount Shares are listed and posted for trading on the TSX under the symbol “POU”. On July 6, 2017, the last trading day on which the Paramount Shares traded prior to announcement of the Merger, the closing price of the Paramount Shares on the TSX was \$18.74. On August 8, 2017, the closing price of the Paramount Shares on the TSX was \$19.70. See also “*Matters to be Acted upon at the Paramount Meeting – Approval of the Paramount Merger Resolution*”.

Trilogy is a reporting issuer under the securities laws in each of the provinces and territories of Canada. The Trilogy Common Shares are listed and posted for trading on the TSX under the symbol “TET”. On July 6, 2017, the last trading day on which the Trilogy Common Shares traded prior to announcement of the Merger, the closing price of the Trilogy Common Shares on the TSX was \$4.54. On August 8, 2017, the closing price of the Trilogy Common Shares on the TSX was \$5.17.

It is anticipated that the Trilogy Common Shares will be delisted from the TSX two to three days following the completion of the Merger and upon the TSX receiving all required information. For information with respect to the trading history of the Paramount Shares and the Trilogy Common Shares, see Appendix H – “*Information Concerning Paramount Resources Ltd.*” and Appendix I – “*Information Concerning Trilogy Energy Corp.*”, respectively.

It is a mutual condition to the completion of the Merger that the TSX shall have conditionally approved the listing of the Paramount Shares issuable pursuant to the Arrangement on the TSX. The TSX has conditionally approved the listing of up to 30,000,000 additional Paramount Shares on the TSX, subject to Paramount fulfilling all of the TSX listing requirements.

Competition Act Approval

The Merger is a “notifiable transaction” for the purposes of Part IX of the Competition Act. When a transaction is a notifiable transaction under the Competition Act, certain prescribed information must be provided to the Commissioner under Part IX of the Competition Act and the transaction may not be completed until the expiry, waiver or termination of the applicable waiting period. Where a notification is made, the waiting period is 30 calendar days after the day on which the parties to the transaction submit the prescribed information, provided that, before the expiry of this period, the Commissioner has not notified the parties that he requires additional information that is relevant to the Commissioner’s assessment of the transaction (a **Supplementary Information Request**). If the Commissioner provides the parties with a Supplementary Information Request, the parties cannot complete their transaction until 30 calendar days after compliance with such Supplementary Information Request, provided that there is no order in effect prohibiting completion at the relevant time.

Where a transaction does not raise substantive issues under the Competition Act, the Commissioner may, upon application, issue an advance ruling certificate under subsection 102(1) of the Competition Act (an **ARC**). Where an ARC is issued, the parties to the transaction are not required to file a notification. Further, if the notifiable transaction to which the ARC relates is substantially completed within one year after the ARC is issued, the Commissioner cannot seek an order under the merger provisions in Section 92 of the Competition Act in respect of the notifiable transaction solely on the basis of information that is the same or substantially the same as the information on which the ARC was based. Alternatively, the Commissioner may issue a No Action Letter along with a waiver to file a notification indicating that the Commissioner is of the view that grounds do not currently exist to initiate proceedings under the merger provisions in Section 92 of the Competition Act in respect of the notifiable transaction, while preserving the authority to do so for one year following completion of the transaction should circumstances change.

Under the Competition Act, the Commissioner may decide to challenge the transaction or prevent its closing if the Commissioner is of the view that the transaction prevents or lessens or is likely to prevent or lessen competition substantially in the industry.

It is a mutual condition to completion of the Merger that the Competition Act Approval shall have been obtained. Competition Act Approval will be obtained if one or more of the following shall have occurred: (i) the receipt of an ARC in respect of the transactions contemplated by the Arrangement Agreement; or (ii) both of (A) the waiting period, including any extension thereof, under Section 123 of the Competition Act shall have expired or been terminated or the obligation to provide a pre-merger notification in accordance with Part IX of the Competition Act shall have been waived in accordance with subsection 113(c) of the Competition Act, and (B) the Parties shall have received a No Action Letter.

Paramount and Trilogy have requested that the Commissioner issue an ARC in respect of the transactions contemplated by the Arrangement Agreement or a No Action Letter, under Part IX of the Competition Act.

Timing

If the Meetings are held on September 8, 2017 as scheduled, and not adjourned or postponed, and the Trilogy Shareholders and the Paramount Shareholders each approve their respective resolutions by the requisite majorities, and provided that no condition exists which would prevent completion of the Merger, Paramount and Trilogy anticipate that September 11, 2017 will be the date on which Trilogy will apply to the Court for the Final Order approving the Arrangement. If the Final Order is obtained and the other conditions contained in the Arrangement Agreement are satisfied or waived, Paramount and Trilogy expect that the Merger will close on or about September 11, 2017. However, it is not possible to state conclusively when the closing will occur.

Securities Law Matters

The following discussion is only a general overview of certain requirements of Canadian and United States securities laws applicable to the resale of Paramount Shares receivable pursuant to the Arrangement. All holders of such securities are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.

Canada

The Paramount Shares to be issued to Trilogy Shareholders pursuant to the Arrangement will be issued in reliance on exemptions from the prospectus requirements of applicable Canadian securities laws, will generally be “freely tradable” and the resale of such Paramount Shares will be exempt from the prospectus requirements (and not subject to any “restricted period” or “hold period”) under applicable Canadian securities laws if the following conditions are met: (a) the trade is not a control distribution (as defined in applicable securities legislation); (b) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade; (c) no extraordinary commission or

consideration is paid to a person or company in respect of the trade; and (d) if the selling shareholder is an insider or an officer of Paramount, the selling shareholder has no reasonable grounds to believe that Paramount is in default of securities legislation. **Trilogy Shareholders are urged to consult their legal advisors to determine the applicability to them of the resale restrictions prescribed by applicable Canadian securities laws.**

Both Paramount and Trilogy are subject to the provisions of MI 61-101 as each is a reporting issuer in the provinces of Alberta, Manitoba, Ontario, Québec and New Brunswick (among others). MI 61-101 is intended to regulate certain transactions to ensure equality of treatment among securityholders, generally requiring enhanced disclosure, approval by a majority of securityholders excluding interested or related parties, independent valuations and, in certain instances, approval and oversight of the transaction by a special committee of independent directors. The protections of MI 61-101 apply to “business combinations” which terminate the interests of securityholders without their consent and to “related party transactions”.

For Trilogy, the Arrangement constitutes a “business combination” under MI 61-101 and consequently completion of the Arrangement is subject to obtaining minority approval of the Trilogy Arrangement Resolution. Furthermore, formal valuations of Trilogy Shares and Paramount Shares prepared in accordance with MI 61-101 were required to be prepared. The Valuations were prepared by Deloitte to satisfy this requirement.

In determining minority approval for a business combination, Trilogy is required to exclude the votes attached to Trilogy Common Shares and to Trilogy Non-Voting Shares, each voting separately as a class, that, to the knowledge of Trilogy and its directors and senior officers after reasonable inquiry, are beneficially owned or over which control or direction is exercised by all “interested parties” and their “related parties” and “joint actors”, all as defined in MI 61-101. The Trilogy Shares held by the Trilogy Interested Parties will be excluded in determining whether minority approval of the Trilogy Arrangement Resolution for the purposes of MI 61-101 is obtained. To the knowledge of Trilogy and its directors and senior officers after reasonable inquiry and for the purposes of MI 61-101, it is expected that the votes in respect of an aggregate of 41,390,044 Trilogy Common Shares, which represent approximately 39.30% of the issued and outstanding Trilogy Common Shares, are held by the Trilogy Interested Parties and will be excluded in determining whether approval of the Arrangement by the disinterested Trilogy Shareholders has been obtained. All 20,835,862 Trilogy Non-Voting Shares, which represent 100% of the issued and outstanding Trilogy Non-Voting Shares, are held or controlled by Clayton H. Riddell and Paramount, who are Trilogy Interested Parties, and will be excluded in determining whether approval of the Arrangement by the disinterested Trilogy Shareholders has been obtained, resulting in no separate class vote of the disinterested holders of Trilogy Non-Voting Shares. Details of the shareholdings of the Trilogy Interested Parties as at July 31, 2017 are as follows:

Name of the Trilogy Shareholder	Trilogy Common Shares and Non-Voting Shares Beneficially Owned or Controlled or Directed
Paramount	12,755,845 Common Shares (12.11%) 6,388,490 Non-Voting Shares (30.66%)
Clayton H. Riddell	27,969,991 Common Shares (26.56%) 14,447,372 Non-Voting Shares (69.34%)
James H.T. Riddell	570,688 Common Shares (0.54%)
E. Mitchell Shier	2,200 Common Shares (0.00%)
John Gorman	1 Common Share (0.00%)
Dirk Jungé	1 Common Share (0.00%)
Susan Riddell Rose	9,420 Common Shares (0.01%)

John Roy	211 Common Shares (0.00%)
Bernard K. Lee	78,972 Common Shares (0.07%)
Geoff McMillan	2,716 Common Shares (0.00%)

MI 61-101 requires Trilogy to disclose any “prior valuations” (as defined in MI 61-101) of Trilogy or its material assets or securities made within the 24-month period preceding the date of this Circular. After reasonable inquiry, neither Trilogy nor any director or senior officer of Trilogy has knowledge of any such “prior valuation” other than the Valuations and reserves reports prepared by McDaniel in respect of Trilogy’s oil and gas assets. Disclosure is also required for any bona fide prior offer for the Trilogy Shares or that is otherwise relevant to the Merger during the 24 months before the Arrangement Agreement was agreed to. There has not been any such offer during the 24 months before the Arrangement Agreement was agreed to.

For Paramount, the Arrangement constitutes a “related party transaction” under MI 61-101 and consequently completion of the Arrangement is subject to obtaining minority approval of the Paramount Merger Resolution, as well as disinterested Paramount Shareholder approval pursuant to the rules of the TSX. Furthermore, formal valuations of Paramount Shares and Trilogy Shares prepared in accordance with MI 61-101 were required to be prepared. The Valuations were prepared by Deloitte to satisfy this requirement.

In determining minority approval for a related party transaction, Paramount is required to exclude the votes attached to Paramount Shares that, to the knowledge of Paramount and its directors and senior officers after reasonable inquiry, are beneficially owned or over which control or direction is exercised by all “interested parties” and their “related parties” and “joint actors”, all as defined in MI 61-101. The Paramount Shares held by the Paramount Interested Parties will be excluded in determining whether minority approval of the Paramount Merger Resolution for the purposes of MI 61-101 is obtained. To the knowledge of Paramount and its directors and senior officers after reasonable inquiry and for the purposes of MI 61-101, it is expected that the votes in respect of an aggregate of 50,198,437 Paramount Shares which represent approximately 47% of the issued and outstanding Paramount Shares held by the Paramount Interested Parties will be excluded in determining whether approval of the Arrangement by the disinterested Paramount Shareholders has been obtained. Details of the shareholdings of the Paramount Interested Parties as at July 31, 2017 are as follows:

Name of the Paramount Shareholder	Paramount Shares Beneficially Owned or Controlled or Directed
Clayton H. Riddell	47,742,760 (44.94%)
James H.T. Riddell	1,017,807 (0.96%)
Robert M. MacDonald	6,150 (0.01%)
E. Mitchell Shier	10,469 (0.01%)
Donald F. Textor	1,392,550 (1.31%)
John B. Williams	27,797 (0.03%)
Michael G. Kohut	54 (<0.01%)

In addition, pursuant to the rules of the TSX, approval by the disinterested Paramount Shareholders is required. For the purposes of the TSX, in determining the disinterested vote, Paramount must exclude, in addition to the Paramount Interested Parties listed above, the votes attached to the Paramount Shares held by insiders of Paramount that hold Trilogy Shares. It is expected that the votes in respect of an aggregate of 51,253,066 Paramount Shares which represent approximately 48% of the issued and outstanding Paramount Shares held by the Paramount Interested Parties will be excluded in determining

whether approval of the Arrangement by the disinterested Paramount Shareholders has been obtained for the purposes of the TSX. Details of the shareholdings of the Paramount insiders that hold Trilogy Shares (other than Paramount Interested Parties listed above) as at July 31, 2017 are as follows:

Name of the Paramount Shareholder who holds Trilogy Shares	Paramount Shares Beneficially Owned or Controlled or Directed
Susan Riddell Rose	378,826 (0.36%)
John Roy	53,305 (0.05%)
Bernard K. Lee	512,241 (0.48%)
Geoff McMillan	17,291 (0.02%)

MI 61-101 requires Paramount to disclose any “prior valuations” (as defined in MI 61-101) of Paramount or its material assets or securities made within the 24-month period preceding the date of this Circular. After reasonable inquiry, neither Paramount nor any director or senior officer of Paramount has knowledge of any such “prior valuation” other than the Valuations and reserves reports prepared by McDaniel in respect of Paramount’s oil and gas assets. Disclosure is also required for any bona fide prior offer for the Paramount Shares or that is otherwise relevant to the Merger during the 24 months before the Arrangement Agreement was agreed to. There has not been any such offer during the 24 months before the Arrangement Agreement was agreed to.

United States

The Paramount Shares issuable to Trilogy Shareholders in the United States in exchange for their Trilogy Shares pursuant to the Arrangement, have not been and will not be registered under the 1933 Act or any state securities laws, and will be issued in reliance upon the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(10) thereof and exemptions under applicable state securities laws. Section 3(a)(10) of the 1933 Act exempts the issuance of any securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction that is expressly authorized by law to grant such approval, after a hearing upon the fairness of the terms and conditions of such issuance and exchange at which all persons to whom it is proposed to issue the securities have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court granted the Interim Order on August 8, 2017 and, subject to the approval of the Arrangement by Trilogy Shareholders and satisfaction of certain other conditions, a hearing on the Arrangement will be held on September 11, 2017 by the Court. Prior to the hearing on the Final Order, the Court will be informed of this effect of the Final Order. All Trilogy Shareholders are entitled to appear and be heard at this hearing. The Final Order will constitute the basis for the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(10) thereof with respect to the Paramount Shares to be issued and distributed to Trilogy Shareholders pursuant to the Arrangement. See “*Details of the Merger - Procedure for the Arrangement to Become Effective*” and “*Details of the Merger – Key Approvals*” in this Circular.

The Paramount Shares issuable to Trilogy Shareholders in the United States pursuant to the Arrangement will be, following completion of the Arrangement, freely tradable under the 1933 Act, except by persons who will be “affiliates” of Paramount after the Effective Date or were affiliates of Paramount within 90 days before the Effective Date. Persons who may be deemed to be “affiliates” of an issuer generally include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Any resale of such Paramount Shares by such an affiliate (or, if applicable, former affiliate) may be subject to the registration requirements of the 1933 Act and applicable state securities laws, absent an

exemption therefrom. Subject to certain limitations, such affiliates (and former affiliates) may immediately resell such Paramount Shares outside the United States without registration under the 1933 Act pursuant to Regulation S under the 1933 Act. Such Paramount Shares may also be resold in transactions completed in accordance with Rule 144 under the 1933 Act, if available.

Any Paramount Shareholder who is an affiliate of Paramount at the time of the proposed resale, became an affiliate of Paramount after consummation of the Arrangement or has been an affiliate within 90 days of the Effective Time, is urged to consult its own legal advisor to ensure that any proposed resale of Paramount Shares issued to them under the Arrangement complies with the applicable requirements under the 1933 Act.

Procedure for Exchange of Trilogy Shares for Paramount Shares

Registered Trilogy Shareholders (other than Paramount and the Dissenting Shareholders) must duly complete and return a Letter of Transmittal together with the certificate(s) representing their Trilogy Shares and all other required documents to the Depositary at one of the offices specified in the Letter of Transmittal. In the event that the Arrangement is not completed, such certificates will be promptly returned to the Trilogy Shareholder who provided such certificates to the Depositary.

Enclosed with this Circular is a Letter of Transmittal which, when properly completed and returned together with the certificate or certificates representing Trilogy Shares and all other required documents, will enable each registered Trilogy Shareholder to obtain the Paramount Shares that the Trilogy Shareholder is entitled to receive under the Arrangement.

The Letter of Transmittal contains complete instructions on how to exchange your Trilogy Shares for Paramount Shares. Please review the Letter of Transmittal carefully and complete in accordance with the instructions set forth therein.

From and after the Effective Time, certificates formerly representing Trilogy Shares shall represent only the right to receive the consideration to which the former Trilogy Shareholders are entitled under the Arrangement, or as to those held by Dissenting Shareholders, other than those Dissenting Shareholders deemed to have participated in the Arrangement pursuant to the Plan of Arrangement, to receive the fair value of the Trilogy Common Shares represented by such certificates. As soon as practicable following the later of the Effective Date and the date of deposit by a former holder of Trilogy Shares acquired by Paramount under the Arrangement of a duly completed Letter of Transmittal and the certificates representing such Trilogy Shares and all other required documents, the Depositary shall either: (a) forward by first class mail to such former holder at the address specified in the Letter of Transmittal; or (b) if requested by such Trilogy Shareholder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such Trilogy Shareholder the certificates representing the number of Paramount Shares issued to such Trilogy Shareholder under the Arrangement.

Any certificate formerly representing Trilogy Shares that is not deposited with all other documents as required by this Plan of Arrangement on or before the fourth anniversary of the Effective Date shall cease to represent a right or a claim of any kind or nature as a shareholder of Paramount. On such date, the Paramount Shares to which the former holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered to Paramount, together with all entitlements to dividends or distributions thereon held for such former registered holder, for no consideration, and such shares and rights shall thereupon be cancelled and the name of the former registered holder shall be removed from the register of holders of such shares. In the event any certificate that immediately prior to the Effective Time represented one or more outstanding Trilogy Shares that were transferred to Paramount in accordance with subsection 2.1(a) of the Plan of Arrangement, shall have been lost, stolen or destroyed, Trilogy Shareholders must follow the procedures set forth in the Letter of Transmittal.

Trilogy Shareholders whose Trilogy Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee should immediately contact such person for instructions and assistance in delivering certificates representing their Trilogy Shares to the Depositary.

The method used to deliver the Letter of Transmittal and any accompanying certificates representing Trilogy Shares is at the option and risk of the person depositing the same, and delivery will be deemed effective only when such documents are actually received by the Depositary at its office specified on the back page of the Letter of Transmittal. It is recommended that the necessary documentation be hand delivered to the Depositary, at its office specified on the back page of the Letter of Transmittal, and a receipt obtained. However, if such documents are mailed, it is recommended that registered mail be used and that proper insurance be obtained and a return receipt requested.

Notwithstanding the provisions of the Letter of Transmittal, certificates representing Paramount Shares will not be mailed if Paramount determines that delivery thereof by mail may be delayed. Persons entitled to certificates which are not mailed for the foregoing reason may take delivery thereof at the office of the Depositary in which the deposited certificates representing Trilogy Shares were originally deposited until such time that it is determined that the delivery by mail will no longer be delayed.

Trilogy Shareholders are encouraged to deliver a validly completed and duly executed Letter of Transmittal together with the relevant share certificates(s) to the Depositary as soon as possible.

None of Trilogy, Paramount or the Depositary are liable for failure to notify Trilogy Shareholders, nor do they have any obligation to notify Trilogy Shareholders, who make a deficient deposit with the Depositary.

Dissent Rights

The following description of the right to dissent to which registered Trilogy Common Shareholders are entitled is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of such Dissenting Shareholder's Trilogy Common Shares and is qualified in its entirety by reference to the full text of the Interim Order, Plan of Arrangement and the text of Section 191 of the Act, which is attached to this Circular as Appendix E. A Dissenting Shareholder who intends to exercise the right to dissent should carefully consider and comply with the provisions of the Act, as modified by the Interim Order. Failure to adhere to the procedures established therein may result in the loss of all rights thereunder. Accordingly, each Dissenting Shareholder who might desire to exercise Dissent Rights should consult his or her own legal advisor.

A Court hearing the application for the Final Order has the discretion to alter the rights of dissent described herein based on the evidence presented at such hearing. Subject to certain tests as described below, pursuant to the Interim Order, Dissenting Shareholders are entitled, in addition to any other right such Dissenting Shareholder may have, to dissent and to be paid by Paramount the fair value of the Trilogy Common Shares held by such Dissenting Shareholder, determined as of the close of business on the last business day before the day on which the Trilogy Arrangement Resolution from which such Dissenting Shareholder's dissent was adopted and provided the Arrangement is completed in respect of such shareholder. **A Dissenting Shareholder may dissent only with respect to all of the Trilogy Common Shares held by such Dissenting Shareholder. Only registered Trilogy Common Shareholders may dissent. Persons who are beneficial owners of Trilogy Common Shares (i.e. the shares registered in the name of a broker, dealer, bank, trust company or other nominee) and who wish to dissent should be aware that they may only do so through the registered owner of such Trilogy Common Shares. Accordingly, a non-registered holder of Trilogy Common Shares desiring to exercise dissent rights must make arrangements for the Trilogy Common Shares beneficially owned by that holder to be registered in the name of the shareholder prior to exercising such dissent rights, or alternatively, make arrangements for the registered owners to**

exercise dissent rights on behalf of the beneficial holder. A written objection to the Trilogy Arrangement Resolution should set forth the number of Trilogy Common Shares covered by it.

Dissenting Shareholders must provide a written objection to the Trilogy Arrangement Resolution so that it is received by Trilogy at Suite 3700, 400 – 3rd Avenue SW, Calgary, Alberta T2P 0B2, Attention: Steven Leidl by 5:00 p.m. on September 6, 2017 being the second business day immediately preceding the date of the Trilogy Meeting, or the second business day immediately preceding the date of any adjournment(s) or postponement(s) of the Trilogy Meeting. **No Trilogy Common Shareholder who has voted in favour of the Trilogy Arrangement Resolution shall be entitled to dissent with respect to the Arrangement.**

Paramount or a Dissenting Shareholder may apply to the Court, after the approval of the Trilogy Arrangement Resolution, to fix the fair value of such Dissenting Shareholder's Trilogy Common Shares. If such an application is made to the Court by either Paramount or a Dissenting Shareholder, Paramount must, unless the Court orders otherwise, send to each Dissenting Shareholder, a written offer to pay such Dissenting Shareholder an amount considered by the Paramount Board to be the fair value of the Trilogy Common Shares held by such Dissenting Shareholder. The offer, unless the Court orders otherwise, must be sent to each Dissenting Shareholder at least 10 days before the date on which the application is returnable, if Paramount is the applicant, or within 10 days after Paramount is served a copy of the application, if a Dissenting Shareholder is the applicant. Every offer will be made on the same terms to each Dissenting Shareholder and must contain or be accompanied with a statement showing how the fair value was determined.

A Dissenting Shareholder may make an agreement with Paramount for the purchase of such holder's Trilogy Common Shares in the amount of the offer made by Paramount, or otherwise, at any time before the Court pronounces an order fixing the fair value of the Trilogy Common Shares.

A Dissenting Shareholder will not be required to give security for costs in respect of an application and, except in special circumstances, will not be required to pay the costs of the application or appraisal. On the application, the Court will make an order fixing the fair value of the Trilogy Common Shares of all Dissenting Shareholders who are parties to the application, giving judgment in that amount against Paramount and in favour of each of those Dissenting Shareholders and fixing the time within which Paramount must pay the amount payable to each Dissenting Shareholder calculated from the date on which such Dissenting Shareholder ceases to have any rights as a Trilogy Shareholder until the date of payment.

On the Arrangement becoming effective or upon the making of an agreement between Paramount and the Dissenting Shareholder as to the payment to be made by Paramount to the Dissenting Shareholder or upon the pronouncement of a Court order, whichever first occurs, such Dissenting Shareholder will cease to have any rights as a Trilogy Shareholder other than the right to be paid the fair value of such holder's Trilogy Common Shares in the amount or in the amount of the judgment, as the case may be. Until one of these events occurs, the Dissenting Shareholder may withdraw his or her dissent or, if the Arrangement has not yet become effective, Trilogy may rescind the Trilogy Arrangement Resolution and in such event the dissent and appraisal proceedings in respect of that Dissenting Shareholder will be discontinued.

Paramount shall not make a payment to a Dissenting Shareholder under Section 191 of the Act, as modified by the Interim Order, if there are reasonable grounds for believing that Paramount is or would after the payment be unable to pay its liabilities as they become due, or that the realizable value of its assets would thereby be less than the aggregate of its liabilities. In such an event, Paramount shall notify each Dissenting Shareholder that it is unable to lawfully pay such Dissenting Shareholder for his or her Trilogy Common Shares, in which case the Dissenting Shareholder may, by written notice to Paramount within 30 days after receipt of such notice, withdraw such holder's written objection, in which case the holder shall be deemed to have participated in the Arrangement. If the Dissenting Shareholder does not withdraw such holder's written objection, such Dissenting Shareholder retains status as a claimant against Paramount to be paid as soon as Paramount is lawfully entitled to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of Paramount but in priority to Paramount Shareholders.

All Trilogy Common Shares held by Dissenting Shareholders who exercise their Dissent Rights will, if the holders thereof do not otherwise withdraw their written objections, be deemed to be transferred to Paramount under the Arrangement (if applicable), and cancelled in exchange for the fair value thereof or will, if such Dissenting Shareholders ultimately are not so entitled to be paid the fair value thereof, be treated as if the holders had participated in the Arrangement on the same basis as a non-dissenting holder of Trilogy Common Shares.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by Dissenting Shareholders who seek payment of the fair value of their Trilogy Common Shares. Section 191 of the Act, as modified by the Interim Order, requires adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. **Accordingly, Trilogy Common Shareholders who might desire to exercise their Dissent Rights should carefully consider and comply with the provisions of the Interim Order, Plan of Arrangement and Section 191 of the Act, the full text of which is set out in Appendix E to this Circular and consult their own legal advisor.**

Unless otherwise waived, it is a condition to the completion of the Arrangement that holders of Trilogy Common Shares representing not more than 5% of the issued and outstanding Trilogy Shares shall have validly exercised dissent rights in respect of the Arrangement that have not been withdrawn as of the Effective Date.

Costs of the Merger

The costs of Paramount and Trilogy to be incurred relating to the Arrangement including without limitation, financial, advisory, accounting, valuation, legal fees, the preparation and delivery of the Arrangement Agreement and this Circular are estimated to be approximately \$3.5 million and \$1.5 million, respectively.

Except as expressly provided in the Arrangement Agreement, each of Paramount and Trilogy will bear its own costs and expenses in connection with the transactions contemplated by the Merger. The Arrangement Agreement provides that, upon the occurrence of certain events, Paramount or Trilogy will be required to reimburse the other for all reasonable out-of-pocket expenses it incurred in connection with the Arrangement Agreement and the Merger. See *"Details of the Merger – The Arrangement Agreement – Expenses"*.

OTHER INFORMATION RELATING TO THE MERGER

Certain Canadian Federal Income Tax Considerations

In the opinion of Norton Rose Fulbright Canada LLP, counsel to Paramount and Trilogy, the following summary describes the principal Canadian federal income tax considerations generally applicable under the Tax Act to a beneficial owner of Trilogy Common Shares who disposes of Trilogy Common Shares pursuant to the Arrangement and who for purposes of the Tax Act and at all relevant times (i) deals at arm's length with Trilogy and Paramount; (ii) is not affiliated with Trilogy or Paramount; and (iii) holds the Trilogy Common Shares, and will hold any Paramount Shares received under the Arrangement, as capital property (each such beneficial owner, a **"Holder"**). Generally, Trilogy Common Shares and Paramount Shares (collectively, the **"Securities"**) will be capital property to a Holder provided the Holder does not hold the Securities in the course of carrying on a business or as part of an adventure or concern in the nature of trade.

This summary is based on the current provisions of the Tax Act and on counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (**"CRA"**) published in writing and publicly available prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the **"Proposed Amendments"**) and assumes that all Proposed

Amendments will be enacted in the form proposed. However, no assurances can be given that the Proposed Amendments will be enacted as proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law or administrative policy or assessing practice whether by legislative, regulation, administrative or judicial action nor does it take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from those discussed herein.

This summary is not applicable to a Holder (i) that is a “specified financial institution”, (ii) an interest in which is a “tax shelter investment”, (iii) that is, for purposes of certain rules (referred to as the mark-to-market rules) applicable to securities held by financial institutions, a “financial institution”, (iv) that reports its “Canadian tax results” in a currency other than Canadian currency, (v) that enters into, with respect to any of their Securities, a “derivative forward agreement”, or (vi) is a “foreign affiliate” of a taxpayer resident in Canada, each as defined in the Tax Act. Such Holders should consult their own tax advisors. In addition, this summary does not address all issues that may be relevant to Holders who acquired their Trilogy Common Shares under an employee stock option plan or other equity based employment compensation arrangement. Such Holders should consult their own tax advisors.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular Shareholder. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, all Shareholders should consult their own tax advisors having regard to their own particular circumstances.

Holders Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty convention, is, or is deemed to be, resident in Canada (a “**Resident Holder**”). Certain Resident Holders may be entitled to make or may have already made the irrevocable election permitted by subsection 39(4) of the Tax Act, the effect of which may be to deem to be capital property any Securities (and all other “Canadian securities”, as defined in the Tax Act) owned by such Resident Holder in the taxation year in which the election is made and in all subsequent taxation years. Where a Resident Holder makes a joint election with Paramount under section 85 of the Tax Act in respect of their Trilogy Common Shares as described below, the Paramount Shares received under the Arrangement in exchange for such Trilogy Common Shares will not be Canadian securities to such Resident Holder for this purpose and therefore will not be deemed to be capital property under subsection 39(4) of the Tax Act. Resident Holders whose Securities might not otherwise be considered to be capital property should consult their own tax advisors concerning this election.

Disposition of Trilogy Common Shares under the Arrangement

Pursuant to the Arrangement a Resident Holder (other than a Resident Holder that validly exercises its Dissent Rights) (the “**Exchanging Shareholder**”) will receive Paramount Shares in exchange for the Exchanging Shareholder's Trilogy Common Shares. An Exchanging Shareholder will not recognize a capital gain (or a capital loss) on such disposition, unless (i) the Exchanging Shareholder chooses to recognize a capital gain (or a capital loss) by including such capital gain (or capital loss) in computing its income for the taxation year in which the exchange takes place, as described below; or (ii) the Exchanging Shareholder makes an election pursuant to section 85 of the Tax Act in relation to the disposition, as described below, and the Elected Amount (as defined below) is in excess of the Exchanging Shareholder's adjusted cost base of the Trilogy Common Shares.

Where an Exchanging Shareholder does not choose to recognize a capital gain (or a capital loss) in respect of the disposition and does not make an election pursuant to section 85 of the Tax Act in relation to the disposition, such Exchanging Shareholder will be deemed to have disposed of the Trilogy Common Shares for proceeds of disposition equal to the Exchanging Shareholder's adjusted cost base of the Trilogy Common Shares, determined immediately before the exchange, and the Exchanging Shareholder will be deemed to have acquired the Paramount Shares received under the Arrangement at an aggregate cost equal to the proceeds of disposition of the Trilogy Common Shares. This cost will be averaged with

the adjusted cost base of all other Paramount Shares held by the Exchanging Shareholder for the purposes of determining the adjusted cost base of each Paramount Share held by the Exchanging Shareholder.

Choosing to Recognize a Capital Gain or Capital Loss

An Exchanging Shareholder may choose to recognize a capital gain (or a capital loss) on the exchange of Trilogy Common Shares for Paramount Shares under the Arrangement by including any portion of the capital gain (or capital loss) as otherwise determined in computing its income for the taxation year in which the Arrangement is completed. In those circumstances, the Exchanging Shareholder will recognize a capital gain (or a capital loss) equal to the amount, if any, by which the fair market value of the Paramount Shares received, net of any reasonable costs associated with the disposition, exceeds (or is less than) the aggregate of the adjusted cost base of the Trilogy Common Shares to the Exchanging Shareholder, determined immediately before the exchange. For a description of the tax treatment of capital gains and capital losses, see “*Taxation of Capital Gains and Capital Losses*” below.

The cost of the Paramount Shares acquired on the exchange will be equal to the fair market value thereof. This cost will generally average with the adjusted cost base of all other Paramount Shares held by the Exchanging Shareholder for the purpose of determining the adjusted cost base of each Paramount Share held by the Exchanging Shareholder.

Joint Tax Election

An Exchanging Shareholder whose Trilogy Common Shares are exchanged for Paramount Shares pursuant to the Arrangement is entitled to make an election with Paramount pursuant to section 85 of the Tax Act (the “**Section 85 Election**”) and thereby obtain a full or partial tax-deferred “rollover” for Canadian income tax purposes, depending on the Elected Amount (as defined below) and the adjusted cost base to the Exchanging Shareholder of the Trilogy Common Shares at the time of the exchange.

The “**Elected Amount**” for an Exchanging Shareholder that files a Section 85 Election (an “**Electing Holder**”) means the amount specified by the Electing Holder, subject to the limitations described below, in the Section 85 Election to be treated as the proceeds of disposition of the Trilogy Common Shares.

In general, an Electing Holder's Elected Amount may not be:

- (i) less than the lesser of (a) the adjusted cost base to the Electing Holder of the Trilogy Common Shares in respect of which the Section 85 Election is made, and (b) the fair market value of the Electing Holder's Trilogy Common Shares in respect of which the Section 85 Election is made, in each case determined at the time of the exchange; or
- (ii) greater than the fair market value of the Electing Holder's Trilogy Common Shares in respect of which the Section 85 Election is made at the time of the exchange.

An Elected Amount which does not comply with these limitations will automatically be adjusted under the Tax Act to the extent required so that it is in compliance. Within these limits, the Elected Amount may be any amount specified by the Electing Holder in the Section 85 Election form.

Generally, the tax treatment to an Electing Holder who makes a valid Section 85 Election jointly with Paramount in respect of all of the Electing Holder's Trilogy Common Shares will generally be as follows:

- (i) the Electing Holder will be deemed to have disposed of the Electing Holder's Trilogy Common Shares for proceeds of disposition equal to the Elected Amount;
- (ii) the Electing Holder will not recognize a capital gain (or a capital loss) if the Elected Amount equals the aggregate of the adjusted cost base to the Electing Holder of the

Trilogy Common Shares determined immediately before the exchange and any reasonable costs of disposition;

- (iii) the Electing Holder will recognize a capital gain (or a capital loss) to the extent that the Elected Amount exceeds (or is less than) the aggregate of the adjusted cost base to the Electing Holder of the Trilogy Common Shares determined immediately before the exchange and any reasonable costs of disposition (see “*Taxation of Capital Gains and Capital Losses*” below for a general discussion of the treatment of capital gains and capital losses under the Tax Act); and
- (iv) the aggregate cost to the Electing Holder of the Paramount Shares acquired on the exchange will equal the Elected Amount, and for the purpose of determining the adjusted cost base to the Electing Holder of those shares, such cost will be averaged with the adjusted cost base to the Electing Holder of any other Paramount Shares held at the Effective Time by the Electing Holder as capital property.

Paramount has agreed to make a Section 85 Election pursuant to subsection 85(1) or 85(2) of the Tax Act (and any similar provision of any provincial tax legislation) with an Electing Holder at the amount determined by such Electing Holder, subject to the limitations set out in subsection 85(1) and 85(2) of the Tax Act (or any applicable provincial tax legislation). An Electing Holder who wishes to make an election under federal or provincial tax legislation must provide two (2) signed copies of each applicable duly completed prescribed election form to Paramount prior to the 90th day following completion of the Arrangement. Such prescribed election forms will be signed by Paramount and returned to the Electing Holder within 90 days of receipt thereof by Paramount for filing by the Electing Holder with the applicable taxation authorities. For Canadian federal income tax purposes, the relevant tax election form is Form T2057, entitled “*Election on Disposition of Property by a Taxpayer to a Taxable Canadian Corporation*”, (or if the Electing Holder is a partnership, Form T2058 entitled “*Election on Disposition of Property by a Partnership to a Taxable Canadian Corporation*”). Resident Holders should consult their own tax advisors to determine whether any separate provincial election forms are required.

Paramount will not be responsible for the proper completion of any election form or have any other liability or obligation in respect thereof except for the obligation of Paramount to sign and return duly completed election forms which are received by Paramount within 90 days of the Effective Date. Paramount will not be liable for or have any obligation in respect of any taxes, interest or penalties resulting from the failure of an Electing Holder to properly complete or file such election forms in the manner and within the time prescribed by the Tax Act (or any applicable provincial legislation).

Electing Holders are referred to CRA Information Circular 76-19R3 and CRA Interpretation Bulletin IT-291R3 for further information respecting the Section 85 Election. An Electing Holder who does not make a valid Section 85 Election (or corresponding provincial election, if applicable) may recognize a taxable capital gain under the Tax Act (or under applicable provincial tax legislation). The comments herein with respect to such elections are provided for general assistance only. The law in this area is complex and contains numerous technical requirements. Accordingly, Resident Holders who wish to make a Section 85 Election should consult their own tax advisors.

Dissenting Resident Holders of Trilogy Common Shares

A Resident Holder who validly exercises Dissent Rights in respect of the Arrangement and is entitled to be paid the fair value of their Trilogy Common Shares by Paramount (a “**Dissenting Resident Holder**”) will realize a capital gain (or a capital loss) to the extent that such payment (other than any portion thereof that is interest) exceeds (or is less than) the aggregate of the adjusted cost base of the Trilogy Common Shares to the dissenting Resident Holder and any reasonable costs of the disposition. See “*Taxation of Capital Gains and Capital Losses*” below. A Dissenting Resident Holder will be required to include in computing its income any interest awarded by a court in connection with the Arrangement.

Taxation of Capital Gains and Capital Losses

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a “**taxable capital gain**”) realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in a taxation year from taxable capital gains realized by the Resident Holder in the year and allowable capital losses in excess of taxable capital gains for the year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Trilogy Common Share may be reduced by the amount of any dividends received (or deemed to be received) by the Resident Holder on such share to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a Trilogy Common Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Such Resident Holders should consult their own advisors.

Capital gains realized by individuals and certain trusts may give rise to a liability for alternative minimum tax under the Tax Act.

Additional Refundable Tax

A Resident Holder that is, throughout the relevant taxation year, a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax on certain investment income, including amounts in respect of interest and taxable capital gains.

Eligibility for Investment

Provided Paramount is a public corporation for the purposes of the Tax Act at the Effective Time of the Arrangement, the Paramount Shares to be issued to Trilogy Common Shareholders under the Arrangement will, at the Effective Time of the Arrangement, be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan (“**RRSP**”), a registered retirement income fund (“**RRIF**”), a registered education savings plan (“**RESP**”), a registered disability savings plan (“**RDSP**”), a deferred profit sharing plan, or a tax free savings account (“**TFSA**”).

Notwithstanding that the Paramount Shares may be qualified investments for a trust governed by an RRSP, RRIF or a TFSA, the annuitant under an RRSP or RRIF or the holder of a TFSA may be subject to a penalty tax if such Paramount Shares are “prohibited investments” for the RRSP, RRIF or TFSA within the meaning of the Tax Act. The Paramount Shares will generally not be a “prohibited investment” provided that the annuitant under the RRSP or RRIF or the holder of the TFSA, as the case may be, deals at arm's length with Paramount for purposes of the Tax Act and does not have a “significant interest” (as defined in the Tax Act) in Paramount. The federal budget released on March 22, 2017 included Proposed Amendments to extend the application of the “prohibited investment” rules to investments held by RDSPs and RESPs, applicable to investments acquired, and transactions occurring, after March 22, 2017. Assuming these Proposed Amendments are enacted as proposed, notwithstanding that the Paramount Shares may be qualified investments for a trust governed by an RDSP or an RESP, the holder of an RDSP or the subscriber of an RESP will be subject to a penalty tax if the Paramount Shares are a prohibited investment for the RDSP or RESP. There can be no assurances that these Proposed Amendments will be enacted or that they will be enacted as proposed.

Shareholders who will hold Paramount Shares received under the Arrangement in their RDSP, RESP, RRIF, RRSP or TFSA are urged to consult their own tax advisors regarding their particular circumstances.

Holders Not Resident in Canada

This portion of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty convention, is not, and is not deemed to be, resident in Canada and does not use or hold, and is not deemed to use or hold, the Trilogy Common Shares or Paramount Shares received under the Arrangement in a business carried on in Canada (a “**Non-Resident Holder**”). In addition, this discussion does not apply to an insurer who carries on an insurance business in Canada and elsewhere or an authorized foreign bank (as defined in the Tax Act).

For the purpose of this portion of the summary, it is assumed that Trilogy Common Shares currently derive and at the Effective Time of the Arrangement will derive, directly or indirectly, more than 50% of their fair market value from one or any combination of: (i) real or immovable property situated in Canada; (ii) “Canadian resource properties” (as defined in the Tax Act); (iii) “timber resource properties” (as defined in the Tax Act); and (iv) options or interests in respect of property described in (i), (ii), (iii).

Disposition of Trilogy Common Shares under the Arrangement

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition of Trilogy Common Shares pursuant to the Arrangement (or be entitled to recognize any capital loss) unless, at the Effective Time of the Arrangement, the Trilogy Common Shares are “taxable Canadian property” (as defined in the Tax Act) to the Non-Resident Holder and are not “treaty protected property” (as defined in the Tax Act) of the Non-Resident Holder. In the event a Trilogy Common Share constitutes or is deemed to constitute taxable Canadian property but not treaty-protected property to a Non-Resident Holder, the Canadian tax consequences of the Non-Resident Holder realizing a capital gain on the disposition of such Trilogy Common Share under the Arrangement will generally be as described above under the heading “*Holders Resident in Canada – Disposition of Trilogy Common Shares under the Arrangement*”.

Generally, Trilogy Common Shares will not be taxable Canadian property to a Non-Resident Holder at the Effective Time of the Arrangement provided that: (a) the Trilogy Common Shares are listed on a designated stock exchange (which includes the TSX) within the meaning of the Tax Act at that time; (b) the Non-Resident Holder, persons with whom the Non-Resident Holder does not deal at arm's length, one or more partnerships in which the Non-Resident Holder or such persons hold a membership interest directly or indirectly through one or more partnerships, or any combination of the foregoing, did not own 25% or more of the issued shares of any class or series of the capital stock of Trilogy at any time during the 60-month period immediately preceding that time; and (c) such Trilogy Common Shares are not deemed to be taxable Canadian property to a Non-Resident Holder for purposes of the Tax Act.

Even if Trilogy Common Shares are taxable Canadian property to a Non-Resident Holder, a taxable capital gain resulting from the disposition of Trilogy Common Shares will not be included in computing the Non-Resident Holder's income for the purposes of the Tax Act if the Trilogy Common Shares constitute “treaty-protected property”. Trilogy Common Shares owned by a Non-Resident Holder will generally be treaty-protected property if the gain from the disposition of such Trilogy Common Shares would, because of an applicable income tax treaty, be exempt from tax under the Tax Act.

Non-Resident Holders whose Trilogy Common Shares are, or may be, taxable Canadian property should consult their own tax advisors with respect to the Canadian federal tax consequences to them of disposing of Trilogy Common Shares pursuant to the Arrangement, including any resulting Canadian reporting obligations.

Dissenting Non-Resident Holders

A Non-Resident Holder of Trilogy Common Shares who validly exercises dissent rights and receives a cash payment from Paramount pursuant to the Arrangement will be considered to have disposed of such shares for proceeds of disposition equal to the amount of the cash payment (excluding interest received,

if any). To the extent that such proceeds of disposition exceed (or are exceeded by) the sum of the adjusted cost base to the Non-Resident Holder of the Trilogy Common Shares and any reasonable costs of disposition, such Non-Resident Holder will realize a capital gain (or a capital loss) equal to the amount of the difference. See “*Holders Not Resident in Canada – Disposition of Trilogy Common Shares under the Arrangement*” above for a general discussion of the treatment of capital gains and capital losses realized by a Non-Resident Holder under the Tax Act. Interest paid or payable to a dissenting Non-Resident Holder pursuant to the Arrangement should generally not be subject to Canadian withholding tax.

Tax Considerations in Other Jurisdictions

This Circular does not address any tax considerations of the Arrangement other than certain Canadian federal income tax considerations. Shareholders who are resident in (or citizens of) jurisdictions other than Canada should consult their own tax advisors with respect to the tax implications of the Arrangement, including any associated filing requirements in such jurisdictions. Shareholders should also consult their own tax advisors regarding provincial, state, local or territorial tax considerations of the Arrangement or of receiving and holding Paramount Shares.

Interests of Certain Persons or Companies in the Merger

Except as disclosed below, to the knowledge of Paramount and Trilogy, no person that has been a director or executive officer of Trilogy or Paramount at any time since the beginning of Trilogy or Paramount’s last completed financial year or any associate or affiliate thereof has any material interest, direct or indirect, in the Merger.

Interests of Directors and Officers in the Merger

The directors and executive officers of each of Paramount and Trilogy may have interests in the Merger that are, or may be, different from, or in addition to, the interests of the Trilogy Shareholders and the Paramount Shareholders, respectively. These interests include those described below. Each of the Trilogy Board and the Paramount Board, as applicable, was aware of these interests and considered them, among other matters, when recommending approval of the Merger to their respective shareholders.

Share Ownership and other Securities

The table below sets forth the Trilogy Common Shares, Trilogy Non-Voting Shares and Trilogy Options which the directors, officers and insiders of Trilogy and any of their respective affiliates and associates beneficially own or exercise control or direction over, directly or indirectly, as of the date hereof. All of the Trilogy Shares held by the directors, officers and insiders of Trilogy (other than Paramount) will be exchanged for Paramount Shares pursuant to the Arrangement on the same basis as Trilogy Shares held by other Trilogy Shareholders:

Name and Position	Trilogy Common Shares Held⁽¹⁾	Trilogy Non-Voting Shares Held⁽¹⁾	Trilogy Options Held⁽¹⁾
Paramount Resources Ltd.	12,755,845 / 12.11%	6,388,490 / 30.66%	Nil
Clayton H. Riddell ⁽²⁾ Chairman of the Trilogy Board	27,969,991 / 26.56%	14,447,372 / 69.34%	476,700
James H.T. Riddell ⁽²⁾ Chief Executive Officer	570,688 / 0.54%	Nil	716,700
John B. Williams President & Chief Operating Officer	202,292 / 0.19%	Nil	591,700

Name and Position	Trilogy Common Shares Held⁽¹⁾	Trilogy Non-Voting Shares Held⁽¹⁾	Trilogy Options Held⁽¹⁾
Michael G. Kohut Chief Financial Officer	46,370 / 0.04%	Nil	458,400
Gail L. Yester General Counsel & Corporate Secretary	44,226 / 0.04%	Nil	333,400
Wilfred A. Gobert Director	78,899 / 0.07%	Nil	49,500
Robert M. MacDonald Director	10,500 / 0.01%	Nil	49,500
R. Keith MacLeod Director	12,000 / 0.01%	Nil	49,500
E. Mitchell Shier ⁽²⁾ Director	2,200 / <0.01%	Nil	49,500
Donald F. Textor Director	283,399 / 0.27%	Nil	49,500

Notes:

- (1) Percentages based on 105,312,350 Trilogy Common Shares, 20,835,862 Trilogy Non-Voting Shares and 5,166,720 Trilogy Options outstanding as at July 31, 2017.
- (2) Clayton H. Riddell, James H.T. Riddell and E. Mitchell Shier are directors and/or officers of Paramount.

In accordance with the terms of the Trilogy Option Plan, the Trilogy Board has authorized the amendment of the Trilogy Options effective immediately after the completion of the Arrangement so that they will entitle Trilogy Optionholders to purchase the number of Paramount Shares rather than Trilogy Common Shares, at an adjusted exercise price, based on the exchange ratio under the Arrangement.

The senior management of Trilogy is expected to be part of the Paramount management team following completion of the Merger. Additionally, Wilfred A. Gobert, Robert M. MacDonald and R. Keith MacLeod have been nominated for election to the Paramount Board at the Paramount Meeting.

As of July 31, 2017, the directors and executive officers of Paramount and their associates, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of approximately 49,841,071 Paramount Shares, representing approximately 47% of the outstanding Paramount Shares. Of these, Clayton H. Riddell owns or controls, directly or indirectly 47,742,760 Paramount Shares, representing approximately 45% of the outstanding Paramount Shares.

Change of Control Provisions

Trilogy does not have employment agreements or other agreements which include provisions dealing with termination, retirement, resignation, severance or change of control rights upon termination of employment or office with any employee, officer or director, including the CEO. Accordingly, all rights or entitlements with respect to termination, retirement, resignation or a change of control are, in the case of severance rights, governed by the common law.

Other Matters

The Arrangement Agreement provides that Paramount will cause or permit Trilogy or any successor to Trilogy to acquire or maintain Trilogy's current directors' and officers' insurance policy or an equivalent policy on a six year "trailing" or "run-off" basis providing coverage comparable to the coverage provided by the directors' and officers' insurance policies obtained by Trilogy that are in effect immediately prior to the date of the Arrangement Agreement and providing coverage in respect of claims arising from facts or events that occurred on or prior to the Effective Time and which will cover all claims made prior to the

Effective Date or within six years of the Effective Date. In addition, the Arrangement Agreement provides that Paramount will cause Trilogy to indemnify the directors and officers of Trilogy to the fullest extent to which Paramount and Trilogy, as the case may be, are permitted to indemnify such directors and officers under their respective articles, by-laws and contracts of indemnity.

The Special Committees jointly retained Deloitte to provide the Valuations and Fairness Opinions. Deloitte has received or will receive fees from Paramount and Trilogy for services rendered. No portion of the fee payable to Deloitte is contingent upon the conclusions reached by Deloitte in the Valuations and Fairness Opinions or upon the completion of the Arrangement.

Risk Factors

Paramount Shareholders voting in favour of the Paramount Merger Resolution and Trilogy Shareholders voting in favour of the Trilogy Arrangement Resolution will be choosing to combine the businesses of Paramount and Trilogy. The completion of the Merger involves risks. In addition to the risk factors described under the heading “*Risk Factors*” in the Paramount AIF and the Trilogy AIF, which are specifically incorporated by reference into this Circular, the following are additional and supplemental risk factors which Paramount Shareholders should carefully consider before making a decision regarding approving the Paramount Merger Resolution and which Trilogy Shareholders should carefully consider before making a decision regarding approving the Trilogy Arrangement Resolution. Readers are cautioned that such risk factors are not exhaustive and additional risks and uncertainties, including those currently unknown or considered immaterial to Paramount and Trilogy, may also adversely affect the Trilogy Common Shares and the Paramount Shares before the Merger, and the Paramount Shares following the Merger, and/or the business of Paramount and Trilogy before the Merger and of Paramount following the Merger.

Completion and Benefits of the Merger

The Merger may not be completed, and if completed, the benefits of the Merger to Paramount, Trilogy and their respective shareholders as described in this Circular may not be realized in their entirety or at all. If for any reason the expected benefits of the Merger are not realized in their entirety or at all, the market price of the Paramount Shares may be adversely affected.

Conditions Precedent to the Merger

The completion of the Merger is subject to a number of conditions precedent, some of which are outside the control of Paramount and Trilogy, including obtaining the requisite approvals from Paramount Shareholders and Trilogy Shareholders, respectively, the completion of the Apache Canada Acquisition, receipt of Competition Act Approval and approval of the Court and the TSX. There is no certainty, nor can Paramount or Trilogy provide any assurance, that the conditions to the completion of the Merger will be satisfied or, if satisfied, when they will be satisfied. If for any reason the Merger is not completed, the market price of the Paramount Shares and Trilogy Common Shares may be adversely affected. Moreover, if the Arrangement Agreement is terminated, there is no assurance that Paramount or Trilogy will pursue (or be able to complete) another similar transaction.

The Arrangement Agreement may be terminated in certain circumstances

Each of the parties to the Arrangement Agreement has the right to terminate the agreement in certain circumstances. Accordingly, there can be no certainty, nor is there any assurance, that the Arrangement Agreement will not be terminated before the completion of the Merger.

If the Merger is not completed, Paramount's and Trilogy's future business and operations could be harmed

If the Merger is not completed, Paramount and Trilogy may be subject to a number of additional material risks, including, but not limited to, those relating to the fact that Trilogy may be unable to obtain additional sources of financing and Paramount and Trilogy may be unable to conclude another sale, merger, amalgamation or business transaction on as favourable terms as the Merger, in a timely manner, or at all.

Trilogy Shareholders will be Shareholders of Paramount Following the Completion of the Merger

The completion of the Merger will result in Trilogy Shareholders (other than Paramount) holding approximately 21% of the outstanding Paramount Shares as at Closing. While the Trilogy Board believes that an investment in Paramount will be beneficial for Trilogy Shareholders, there can be no guarantee as to the future market price of the Paramount Shares.

Paramount and Trilogy will incur costs even if the Merger is not completed and Paramount or Trilogy may have to pay various expenses incurred in connection with the Merger

Certain costs related to the Merger, such as legal, accounting and certain valuation and financial advisor fees, must be paid by Paramount and Trilogy even if the Merger is not completed. Paramount and Trilogy are each liable for their own costs incurred in connection with the Merger, except where the Arrangement Agreement is terminated in certain circumstances. See “*Details of the Merger – The Arrangement Agreement – Expenses*”.

The pending Merger may divert the attention of Paramount's and Trilogy's management

The pending Merger could cause the attention of Paramount's and Trilogy's management to be diverted from their day-to-day operations. These disruptions could be exacerbated by a delay in the completion of the Merger and could have an adverse effect on the business, operating results or prospects of Paramount or Trilogy regardless of whether the Merger is ultimately completed.

Following completion of the Merger, Paramount may issue additional equity securities

Following completion of the Merger, Paramount may issue equity securities to finance its activities, including in order to finance acquisitions. If Paramount were to issue additional securities, holders of Paramount Shares may experience dilution in Paramount's cash flow or earnings per share.

There are risks related to the integration of Paramount's, Trilogy's and Apache Canada's existing businesses

The ability to realize benefits of the Apache Canada Acquisition and the Merger including, among others, those set forth in this Circular, will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on Paramount's ability to realize the anticipated growth opportunities, capital funding opportunities and operating synergies from integrating Trilogy's and Paramount's businesses following the completion of the Apache Canada Acquisition and the Merger. Many operational and strategic decisions and certain staffing decisions with respect to Paramount following the completion of the Apache Canada Acquisition and the Merger have not yet been made. These decisions and the integration will require the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities of Paramount following completion of the Apache Canada Acquisition and the Merger, and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing relationships. Additionally, the obligations and liabilities of Apache Canada and Trilogy will become the obligations of Paramount on a consolidated basis following the Apache Canada Acquisition and the Merger, respectively. The annual and total quantum of such obligations and liabilities may be materially different than as estimated by Paramount at the time of

entering into the Apache Canada Acquisition Agreement and the Arrangement Agreement, respectively, due to unknown factors, change of law or regulations or otherwise. One or more of the foregoing factors may adversely affect the ability of Paramount, following completion of the Apache Canada Acquisition and the Merger, to achieve the anticipated benefits of the Apache Canada Acquisition and the Merger.

Experts

Certain legal matters relating to the Merger will be passed upon by Norton Rose Fulbright Canada LLP on behalf of both Paramount and Trilogy. As at the date hereof, the partners and associates of Norton Rose Fulbright Canada LLP owned, directly and indirectly, in the aggregate, less than 1% of the outstanding Trilogy Common Shares and less than 1% of the outstanding Paramount Shares.

Certain reserves data of Paramount and Trilogy included or incorporated herein by reference into this Circular has been prepared by McDaniel. As of the date hereof, McDaniel does not have any registered or beneficial interest, direct or indirect, in any securities or other property of Trilogy or Paramount, or any of their respective associates or affiliates. For the purposes of this paragraph, McDaniel shall be interpreted to include its “designated professionals” as such term is defined in Form 51-102F2.

Deloitte was retained by the Special Committees to provide the formal valuations and fairness opinions for each of Paramount and Trilogy. As at the date hereof, Deloitte and the “designated professionals” (as such term is defined in Form 51-102F2) of Deloitte owned, directly and indirectly, in the aggregate, less than 1% of the outstanding Trilogy Common Shares and less than 1% of the outstanding Paramount Shares.

Ernst & Young LLP, Chartered Professional Accountants, the auditors of Paramount and the Apache Canada financial statements contained in this Circular, has confirmed that it is independent with respect to Paramount and Apache Canada, and PricewaterhouseCoopers LLP, Chartered Professional Accountants, the auditors of Trilogy, has confirmed that it is independent with respect to Trilogy, under the code of conduct of the Institute of Chartered Professional Accountants of Alberta.

INFORMATION RELATING TO PARAMOUNT, TRILOGY AND APACHE CANADA

Paramount

Paramount is an independent, publicly traded, Canadian energy company that explores and develops unconventional and conventional petroleum and natural gas prospects, including long-term unconventional exploration and pre-development projects, and holds a portfolio of investments in other entities.

Paramount is incorporated under the Act and its corporate and registered office is located at Suite 4700, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5. The Paramount Shares are listed on the TSX under the symbol “POU”. Paramount is a reporting issuer in every province of Canada.

For a more detailed description of Paramount and other relevant information, see Appendix H – *“Information Concerning Paramount Resources Ltd.”*

Trilogy

Trilogy is a petroleum and natural gas-focused Canadian energy corporation that develops, produces and sells natural gas, crude oil and natural gas liquids. Trilogy was formed through a spinout of assets from Paramount in April 2005.

Trilogy is incorporated under the Act and its head and registered office is located at 1400, 332 – 6th Avenue S.W., Calgary, Alberta, T2P 0B2. The Trilogy Common Shares are listed on the TSX under the symbol “TET”. Trilogy is a reporting issuer in every province and territory of Canada.

For a more detailed description of Trilogy and other relevant information, see Appendix I – “*Information Concerning Trilogy Energy Corp.*”

Apache Canada

Paramount will acquire Apache Canada, an indirect, wholly-owned subsidiary of Apache, pursuant to the Apache Canada Acquisition Agreement. For more information concerning Apache Canada, see Appendix J – “*Information Concerning Apache Canada Ltd.*”

INFORMATION RELATING TO PARAMOUNT AFTER THE APACHE CANADA ACQUISITION AND THE MERGER

General

The Merger will result in the acquisition by Paramount of all of the outstanding Trilogy Shares other than those already owned by it. Trilogy Shareholders (excluding Paramount and the Dissenting Shareholders) will receive one Paramount Share for every 3.75 Trilogy Common Share held, representing approximately 21% of the Paramount Shares following completion of the Merger on an undiluted basis.

The closing of the Merger is conditional upon, among other things, Paramount completing the Apache Canada Acquisition. Following the completion of the Merger, Trilogy will become a wholly-owned subsidiary of Paramount and Paramount will continue the operations of Paramount, Apache Canada and Trilogy on a combined basis.

The following sets forth certain information relating to Paramount after giving effect to the Merger. Additional information concerning each of Paramount, Trilogy and Apache Canada is set forth elsewhere in this Circular. See Appendix H – “*Information Concerning Paramount Resources Ltd.*”, Appendix I – “*Information Concerning Trilogy Energy Corp.*” and Appendix J – “*Information Concerning Apache Canada Ltd.*”

Organization Structure after the Merger

Immediately following the Merger, Apache Canada and Trilogy are expected to be wholly-owned subsidiaries of Paramount. Paramount may combine the companies with Paramount at a later date, but no determination to do so has been made at this time.

Description of the Combined Business

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

Once completed, the Apache Canada Acquisition and the Merger will result in Paramount having:

- combined fourth quarter 2017 production expected to exceed 90,000 Boe/d, including approximately 35 percent liquids, and proved plus probable reserves of 600 MMboe, based on independent reserves evaluations prepared by McDaniel effective as of June 1, 2017;
- a total land position of approximately 2.7 million net acres with a number of top-tier Montney and Duvernay resource development plays which will provide Paramount with considerable capital allocation flexibility;

- a strong balance sheet and materially enhanced cash flow base;
- Montney acreage of approximately 372,000 net acres, with near-term production growth focused at Karr and a new turn-key resource play at Wapiti which is anticipated to add material new production in mid-2019;
- Duvernay acreage of approximately 223,000 net acres, with near-term growth planned for the Kaybob Duvernay; and
- 176,000 net acres of fee simple lands in southern Alberta and additional minor properties, all of which may be monetized in whole or in part.

For a detailed description of the historical development of the businesses of Paramount and Trilogy and, therefore, the business to be carried on by Paramount, including in respect of the oil and gas properties of Paramount and Trilogy, see the Paramount AIF and the Trilogy AIF, which are incorporated by reference in Appendix H, “*Information Concerning Paramount Resources Ltd.*” and Appendix I, “*Information Concerning Trilogy Energy Corp.*” of this Circular. For a detailed description of the business of Apache Canada being acquired by Paramount, see Appendix J – “*Information Concerning Apache Canada Ltd.*”

Pro Forma Operational Information

Sales volumes and netbacks for Paramount, Apache Canada and Trilogy for the three months ended June 30, 2017 and on a *pro forma* basis after giving effect to the Apache Canada Acquisition and the Merger are as follows:

	Paramount	Apache Canada ⁽¹⁾	Trilogy	Pro forma
Sales Volumes (Boe/d)	18,367	39,038	21,669	79,074
% liquids	52%	26%	36%	35%
Netback⁽²⁾ (\$ millions)	35.1	27.5	35.2	97.8

Notes:

- (1) Sales volumes and netback information provided by Apache Canada. Excludes sales volumes and netbacks associated with Apache Canada's Midale, House Mountain and Provost properties, which have either been sold, or are subject to an agreement to be sold, by Apache Canada.
- (2) Netback equals petroleum and natural gas sales less royalties, operating costs and transportation and NGLs processing costs.

Reserves

The following tables set forth the proved and proved plus probable gross reserves for Paramount, Apache Canada and Trilogy and on a *pro forma* basis after giving effect to the Apache Canada Acquisition and the Merger as at June 1, 2017:

	Proved ⁽¹⁾⁽⁵⁾			
	Paramount ⁽²⁾	Apache Canada ⁽³⁾	Trilogy	Pro forma
Natural Gas (Bcf)	292.0	661.7	347.2	1,300.9
NGLs (Mbbbl) ⁽⁴⁾	33,959	54,968	19,531	108,458
Light and Medium Crude Oil (Mbbbl)	771	2,943	15,837	19,551
Total (Mboe)	83,400	168,193	93,238	344,831

See notes below.

	Proved Plus Probable ⁽¹⁾⁽⁵⁾			
	Paramount ⁽²⁾	Apache Canada ⁽³⁾	Trilogy	Pro forma
Natural Gas (Bcf)	530.9	1,124.6	595.3	2,250.8
NGLs (Mbbbl) ⁽⁴⁾	56,798	97,129	40,218	194,145
Light and Medium Crude Oil (Mbbbl)	1,098	3,760	25,629	30,487
Total (Mboe)	146,377	288,320	165,059	599,756

Notes:

- (1) Reserves evaluated by McDaniel as of June 1, 2017. Volumes disclosed are working interest reserves before royalty deductions. See "Introductory Information – Oil and Gas Measures" in this Circular.
- (2) Paramount's reserves volumes exclude probable bitumen reserves related to its oil sands properties.
- (3) Excludes reserves volumes associated with Apache Canada's Midale, House Mountain and Provost properties, which have either been sold, or are subject to an agreement to be sold, by Apache Canada.
- (4) NGLs means ethane, propane, butane, pentanes plus and condensate.
- (5) Columns and rows may not add due to rounding.

The following table summarizes the net present value of estimated future net revenue before tax of estimated reserves for Paramount, Apache Canada and Trilogy and on a *pro forma* basis after giving effect to the Apache Canada Acquisition and the Merger as at June 1, 2017:

(\$ millions)	Discounted at 10% ⁽¹⁾⁽²⁾			
	Paramount ⁽³⁾	Apache Canada ⁽⁴⁾	Trilogy	Pro forma
Total Proved	757.9	1,137.7	835.9	2,731.5
Total Probable	435.9	1,006.9	765.2	2,208.0
Total Proved plus Probable	1,193.8	2,144.6	1,601.1	4,939.5

Notes:

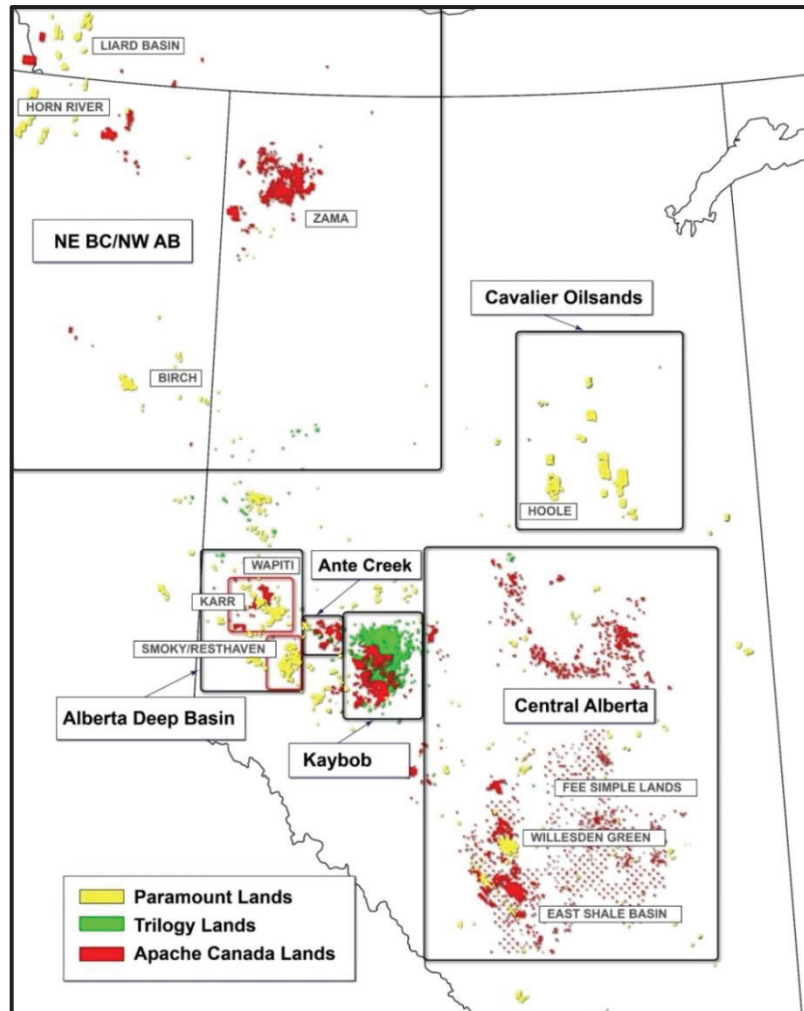
- (1) Reserves evaluated by McDaniel as of June 1, 2017. See "Introductory Information – Oil and Gas Measures" in this Circular.
- (2) The estimated net present values of future net revenue disclosed in this document do not represent fair market value. Revenues and expenditures were calculated based on McDaniel's forecast prices and costs as of April 1, 2017.
- (3) Excludes Paramount's oil sands properties.
- (4) Excludes Apache Canada's Midale, House Mountain and Provost properties, which have either been sold or are in the process of being sold by Apache Canada.

Pro Forma Financial Information

Pro forma consolidated financial information of Paramount, after giving effect to the Apache Canada Acquisition and the Merger, is contained in the unaudited *pro forma* consolidated financial statements of Paramount for the year ended December 31, 2016 and as at and for the six months ended June 30, 2017 included in Appendix K to this Circular. Adjustments made in the preparation of the unaudited *pro forma* consolidated financial statements of Paramount are based on certain assumptions. Both the adjustments and the assumptions made in respect thereof are described in the notes to the unaudited *pro forma* consolidated financial statements. The unaudited *pro forma* consolidated financial statements are presented for illustrative purposes only and are not necessarily indicative of: (i) the operating or financial results that would have occurred had the Apache Canada Acquisition and the Merger actually occurred at the dates assumed in the unaudited *pro forma* consolidated financial statements; or (ii) the results expected in future periods.

Paramount Post-Closing Oil & Gas Properties

The map below outlines the location of Apache Canada's and Trilogy's lands in relation to Paramount's lands, all of which will be owned by Paramount following the closing of the Apache Canada Acquisition and the Merger:



Pro Forma Consolidated Capitalization

The following table sets forth the consolidated capitalization of Paramount as at December 31, 2016 and as at June 30, 2017 both before and after giving effect to the completion of the Apache Canada Acquisition and the Merger.

	Paramount as at December 31, 2016	Paramount as at June 30, 2017 (in millions)	Pro forma as at June 30, 2017 after giving effect to the Apache Canada Acquisition and the Merger ⁽³⁾
Cash and cash equivalents:	\$621.9	\$565.6	\$131.7
Debt:			
Credit Facilities ⁽¹⁾	Nil	Nil	\$161.9
2019 Notes ⁽²⁾	Nil	Nil	\$307.3
Common Shares:	105.8	106.2	134.7

Notes:

- (1) Paramount currently has a \$300 million revolving bank credit facility (the "**Facility**"). Borrowings under the Facility bear interest at prime lending rates, US base rates, bankers' acceptance rates, or LIBOR rates, as selected at the discretion of Paramount, plus an applicable margin which is dependent upon Paramount's debt-to-cash flow ratio. The Facility is secured by a first fixed and floating charge over substantially all of the assets of Paramount, excluding the assets of its wholly-owned subsidiary, Cavalier Energy Inc. (and its subsidiaries). The current revolving period of the Facility ends on April 30, 2018. Paramount had undrawn letters of credit outstanding totaling \$20.6 million at June 30, 2017 that reduce the amount available to be drawn under the Facility. See note 7 to Paramount's interim financial statements for the period ended June 30, 2017 for further details on the Facility. It is anticipated that amendments will be made to the Facility following closing of the Apache Canada Acquisition and the Merger. At closing of the Merger Paramount's credit facilities will consist of the Facility, as it may be amended, and may also consist of Trilogy's credit facility for a period of time. The material terms of Trilogy's credit facility are disclosed in its financial statements incorporated by reference herein. The *pro forma* amount shown above reflects the *pro forma* indebtedness of Paramount as at June 30, 2017 under such credit facilities.
- (2) Trilogy has \$300 million principal amount of senior unsecured notes outstanding (the "**2019 Notes**") with an estimated fair value of \$307.3 million as at July 31, 2017. The 2019 Notes bear interest semi-annually at 7.25% per annum and mature on December 13, 2019. See note 14 to Trilogy's audited annual financial statements for the year ended December 31, 2016 for further details. The 2019 Notes will remain outstanding following the completion of the Merger. The Merger will not trigger any change of control offers or payments under the 2019 Notes.
- (3) The *pro forma* amounts exclude fees and expenses relating to the Apache Canada Acquisition and the Merger.

Governance Matters

If the Paramount Board Constitution Resolution is passed at the Paramount Meeting, after the Merger is completed, the Paramount Board will consist of the following ten members: Clayton H. Riddell, James H.T. Riddell, James Bell, Wilfred A. Gobert, John Gorman, Dirk Jungé, Robert M. MacDonald, R. Keith MacLeod, Susan Riddell Rose and John Roy.

Following the completion of the Merger, Paramount will be led by a management team comprised of: Clayton H. Riddell as Executive Chairman, James H.T. Riddell as President and Chief Executive Officer and some or all of the other members of the existing Paramount and Trilogy senior management teams.

Corporate Offices

Following consummation of the Merger, Paramount's corporate and registered office will remain located at Suite 4700, 888 – 3rd Street S.W., Calgary, Alberta T2P 5C5.

Outstanding Paramount Shares and Principal Holders

To the knowledge of the directors and officers of Paramount and Trilogy, the only Person who will hold more than 10% of the Paramount Shares following completion of the Merger is Clayton H. Riddell, who

will hold approximately 59.0 million Paramount Shares, representing approximately 44% of the issued and outstanding Paramount Shares following completion of the Merger.

MATTERS TO BE ACTED UPON AT THE PARAMOUNT MEETING

At the Paramount Meeting, the Paramount Shareholders will be asked to consider, and if deemed advisable, approve the Paramount Merger Resolution and the Paramount Board Constitution Resolution. Each Paramount Shareholder of record on August 4, 2017 (subject to certain exceptions) is entitled to vote at the Paramount Meeting or any adjournment(s) or postponement(s) thereof and is entitled to one vote for each Paramount Share held. See “*General Proxy Matters for Paramount and Trilogy – Paramount*”. Paramount Shareholders are urged to review this Circular and all its appendices when considering the Paramount Merger Resolution and the Paramount Board Constitution Resolution.

Approval of the Paramount Merger Resolution

The Merger, if completed, will result in Paramount acquiring all of the Trilogy Shares it does not currently own. Trilogy Shareholders (other than Paramount and the Dissenting Shareholders) will receive one Paramount Share for every 3.75 Trilogy Shares held immediately prior to the Merger. As at July 31, 2017, there were 105,312,350 Trilogy Common Shares and 20,835,862 Trilogy Non-Voting Shares outstanding. Paramount owns 12,755,845 Trilogy Common Shares and 6,388,490 Trilogy Non-Voting Shares. Accordingly, based on the Trilogy Shares outstanding as at July 31, 2017, Paramount will issue 28,534,367 Paramount Shares (subject to rounding) to acquire all of the outstanding Trilogy Shares not owned by it pursuant to the Arrangement.

Additionally, there were 5,166,720 Trilogy Options outstanding as at July 31, 2017. In accordance with the terms of the Trilogy Option Plan, the Trilogy Board has authorized the amendment of the Trilogy Options effective immediately after the completion of the Merger so that they entitle the Trilogy Optionholders to purchase the number of Paramount Shares equal to the number of Trilogy Common Shares issuable under such Trilogy Options divided by 3.75 at an adjusted exercise price, equal to the exercise price of such Trilogy Options multiplied by 3.75. Paramount and Trilogy have agreed to enter into a support agreement to provide for, among other things, the delivery of Paramount Shares to Trilogy Optionholders upon exercise of Trilogy Options following the Effective Time. Accordingly, up to 1,377,792 Paramount Shares will be issuable pursuant to the Trilogy Options following completion of the Merger.

Paramount is also seeking approval for the issuance and listing of an additional 87,841 Paramount Shares to account for clerical and administrative matters, including the rounding of fractional Paramount Shares to ensure that there are a sufficient amount of Paramount Shares to effect the Arrangement. Therefore, the Paramount Merger Resolution authorizes Paramount to issue up to 30,000,000 additional Paramount Shares.

The TSX requires shareholder approval in circumstances where an issuance of securities will result in the issuance of 25% or more of the issuer's outstanding securities on a non-diluted basis in connection with an acquisition. As the Merger will result in the issuance of a number of Paramount Shares up to approximately 28% of the 106,234,615 currently outstanding Paramount Shares, the Paramount Merger Resolution must be approved by a majority of the votes cast by Paramount Shareholders who vote in person or by proxy at the Paramount Meeting. For the purposes of the TSX requirement of disinterested Paramount Shareholder approval, the votes attached to Paramount Shares that, to the knowledge of Paramount's directors and officers, are beneficially owned or over which control or direction is exercised by (a) the Paramount Interested Parties and (b) Paramount directors and senior officers who hold Trilogy Shares, are to be excluded.

At the Paramount Meeting, the Paramount Merger Resolution in the form set out in Appendix A to this Circular will be placed before the Paramount Shareholders. As the Merger is a “related-party transaction” under MI 61-101, the Paramount Merger Resolution must be passed by a majority of the votes cast by the Paramount Shareholders present in person or represented by proxy at the Paramount Meeting, excluding

the votes of Paramount Shares held by the Paramount Interested Parties pursuant to MI 61-101. The issuance of the Paramount Shares pursuant to the Merger is not anticipated to materially affect control of Paramount, as, to the knowledge of both Paramount and Trilogy and based on public filings, as at the date hereof no person other than Paramount and Clayton H. Riddell beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued and outstanding Trilogy Shares. See “*Details of the Merger – Securities Law Matters*”.

The Paramount Board unanimously (other than the abstaining directors who are also directors and/or officers of Trilogy) recommends you vote FOR the Paramount Merger Resolution. **Unless otherwise directed, the persons named in the form of proxy for the Paramount Meeting intend to vote in favour of the Paramount Merger Resolution.**

It is a condition of the Merger that the Paramount Merger Resolution be approved by the Paramount Shareholders at the Paramount Meeting.

Approval of the Paramount Board Constitution Resolution

Pursuant to the Arrangement Agreement, Paramount agreed that it shall use all commercially reasonable efforts to appoint or have elected as directors of the Paramount Board, subject to applicable laws and the constating documents and by-laws of Paramount, effective upon the completion of the Arrangement, such individuals from the Trilogy Board as may be specified by Trilogy.

Paramount's articles require that Paramount have not less than three and not more than twelve directors. There are currently seven directors on the Paramount Board. Subject to the completion of the Arrangement, Trilogy has nominated an additional three directors to be elected to the Paramount Board, being Wilfred A. Gobert, Robert M. MacDonald and R. Keith MacLeod. As such, Paramount is asking the Paramount Shareholders to consider, and if deemed appropriate, pass, the Paramount Board Constitution Resolution, in the form set out in Appendix A to this Circular, at the Paramount Meeting in order to elect the additional directors to the Paramount Board.

The Paramount Board recommends that you vote FOR the Paramount Board Constitution Resolution at the Paramount Meeting. **Unless otherwise directed, the persons named in the form of proxy for the Paramount Meeting intend to vote in favour of the Paramount Board Constitution Resolution.**

The election of each individual director of Paramount will be effected by an ordinary resolution requiring the approval of more than 50% of the votes cast in respect of the resolution by or on behalf of Paramount Shareholders present in person or represented by proxy at the Paramount Meeting. The Paramount Board has also adopted a majority voting policy, which provides that, unless there is a contested election, a director who receives more “withhold” votes than “for” votes must tender his or her resignation as a director promptly after the meeting 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). The decision of the Paramount Board will be made within 90 days of the Paramount Meeting and announced in a press release. The director who tendered such resignation will not be part of any deliberations of the Paramount Board or any committee thereof pertaining to the resignation.

Additional Nominees for Election to the Paramount Board

The following table sets out the name of each of the persons proposed to be nominated for election as an additional director, the principal occupations and offices presently held by him and for the previous five years and the number of Paramount Shares that he has advised are beneficially owned by him, directly or indirectly, or over which control or direction is exercised by him, as of July 31, 2017.

Name of Nominee, Location of Residence and Position	Number of Shares Beneficially Owned or Controlled ⁽¹⁾	Director Since	Present and Principal Occupation For Previous Five Years
Wilfred A. Gobert Alberta, Canada	21,040	n/a	Wilf Gobert is an independent businessman. In May 2006, he retired from Peters & Co. Limited, where he was Vice-Chair since 2002 and was a member of its board of directors and 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 and Gluskin Sheff + Associates Inc. He is Senior Fellow, Energy Studies, Centre of Energy Policy Studies with the Fraser Institute, and co-chair of the Fort Calgary MAKE History Capital Campaign.
Robert M. MacDonald Alberta, Canada	8,950	n/a	Bob MacDonald is an oil and gas banking professional with 14 years' experience as a corporate director and 27 years' experience as a senior officer of several Canadian chartered banks, including 18 years in Alberta and 9 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, financial analysis and loan restructuring. From 1998 to 2003, he was a Director, Oil & Gas, Commercial Banking with CIBC World Markets Inc. From 1993 to 1998, Mr. MacDonald was Vice President, Oil & Gas Group with CIBC.
R. Keith MacLeod Alberta, Canada	3,200	n/a	Keith MacLeod is a professional engineer with more than thirty 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. 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.

Note:

(1) Shareholdings are presented on a post-Arrangement basis.

If the Paramount Board Constitution Resolution is passed at the Paramount Meeting, then following the completion of the Arrangement, the Paramount Board will be comprised of the following ten individuals:

Clayton H. Riddell
James Bell
John Gorman
Robert M. MacDonald
Susan Riddell Rose

James H.T. Riddell
Wilfred A. Gobert
Dirk Jungé
R. Keith MacLeod
John Roy

If the Paramount Board Constitution Resolution is passed at the Paramount Meeting, the committees of the Paramount Board will be reconstituted following the closing of the Merger.

Cease Trade Orders

Except as disclosed herein, to the knowledge of management of Paramount and Trilogy, no proposed additional director to the Paramount Board is, or within the ten (10) years before the date of this Circular has been, a director, chief executive officer or chief financial officer of any other issuer that:

- (a) was the subject of a cease trade or similar order or an order that denied the other issuer access to any exemptions under Canadian securities legislation that lasted for a period of more than thirty (30) consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation that lasted for a period of more than thirty (30) consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies and Insolvencies

To the knowledge of management of Paramount and Trilogy, no proposed additional director of Paramount:

- (a) is at the date of this Circular, or has been within the ten (10) years before the date of this Circular, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten (10) years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Penalties and Sanctions

Except as disclosed below, to the knowledge of management of Paramount and of Trilogy, no proposed additional director of Paramount has:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with the Canadian securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

MATTERS TO BE ACTED UPON AT THE TRILOGY MEETING

At the Trilogy Meeting, Trilogy Shareholders will be asked to consider the Trilogy Arrangement Resolution in the form set forth in Appendix B of this Circular. Trilogy Shareholders are urged to review this Circular and all its appendices when considering the Trilogy Arrangement Resolution. Each Trilogy Shareholder

of record on August 4, 2017 (subject to certain exceptions) is entitled to vote at the Trilogy Meeting or any adjournment(s) or postponement(s) thereof and is entitled to one vote for each Trilogy Share held. See *“General Proxy Matters for Paramount and Trilogy – Trilogy”*.

The Trilogy Arrangement Resolution must be approved by at least 66⅔% of the votes cast by Trilogy Shareholders present in person or by proxy at the Trilogy Meeting and a majority of the votes cast by Trilogy Shareholders present in person or by proxy at the Trilogy Meeting, after excluding the votes attached to the Trilogy Shares held by those persons whose votes may not be included in determining minority approval of a business combination pursuant to MI 61-101. See *“Details of the Merger – Securities Law Matters”*.

The Trilogy Board (other than the directors who are also directors and/or officers of Paramount) unanimously recommends that you vote FOR the Trilogy Arrangement Resolution at the Trilogy Meeting. **Unless otherwise directed, the persons named in the form of proxy for the Trilogy Meeting intend to vote in favour of the Trilogy Arrangement Resolution.**

It is a condition to the completion of the Arrangement that the Trilogy Arrangement Resolution be approved at the Trilogy Meeting.

GENERAL PROXY MATTERS FOR PARAMOUNT AND TRILOGY

Paramount

Solicitation of Proxies

This Circular is being furnished to the Paramount Shareholders in connection with the solicitation of proxies by or on behalf of the Paramount Board of Directors and management of Paramount for use at the Paramount Meeting. It is expected that the solicitation of proxies will be primarily by mail, however directors, officers and employees of Paramount may solicit proxies by telephone, fax, email or in person (who will not be specifically remunerated therefor). The costs of solicitation of proxies will be borne by Paramount.

D.F. King is acting as Paramount’s proxy solicitation agent. If you have any questions or require assistance in voting your proxy, please contact our proxy solicitation agent, D.F. King, toll-free at 1-866-521-4425 (1-212-771-1133 by collect call) or by email at inquiries@dfking.com. D.F. King will receive a fee of approximately \$65,000 plus reasonable out-of-pocket expenses.

The Paramount Meeting is being called pursuant to applicable provisions of the Act to seek the requisite approval of Paramount Shareholders of the Paramount Merger Resolution and the Paramount Board Constitution Resolution.

Voting

If you are a registered holder of Paramount Shares at the close of business on August 4, 2017 (the **“Paramount Record Date”**), you are entitled to receive notice of, and to attend and vote at the Paramount Meeting. You will be entitled to vote all of the Paramount Shares that you held on the Paramount Record Date at the Paramount Meeting except to the extent that:

- (a) you have transferred the ownership of your Paramount Shares after the Paramount Record Date; and
- (b) not later than ten days before the Paramount Meeting, the transferee of those Paramount Shares produces properly endorsed share certificates or otherwise establishes that they own such Paramount Shares and demands that their name be included on the list of

Paramount Shareholders entitled to vote at the Paramount Meeting, in which case the transferee will be entitled to vote those Paramount Shares at the Paramount Meeting.

When Paramount Shares are held jointly by two or more persons, those shares may be voted at the Paramount Meeting (either in person or by proxy) by any one of those holders, or, alternatively, by all such holders jointly. Each Paramount Share is entitled to one vote.

Quorum

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

Proxy Voting

You can indicate on your form of proxy how you want your proxyholder to vote your Paramount Shares or you can let your proxyholder decide for you. If you specify how you want your Paramount Shares voted, then your proxyholder must vote in accordance with your instructions. In the absence of specific instructions, your proxyholder can vote your Paramount Shares as he or she sees fit. **If you appoint Clayton H. Riddell of Calgary, Alberta, or failing him, James H.T. Riddell also of Calgary, Alberta, and do not specify how you want your Paramount Shares to be voted, your Paramount Shares WILL BE VOTED IN FAVOUR OF THE PARAMOUNT MERGER RESOLUTION AND THE PARAMOUNT BOARD CONSTITUTION RESOLUTION.**

Exercise of Discretion by Proxyholders

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Paramount Notice of Meeting and to any other matters which may properly come before the Paramount Meeting. At the time of printing of this Circular, management knows of no such amendment, variation or matter to come before the Paramount Meeting other than the matters referred to above. If other matters do properly come before the Paramount Meeting, your proxyholder will vote on them using his or her best judgment unless such discretionary authority is not given.

Registered Shareholder Voting

If your Paramount Shares are held in your name and you have a share certificate representing such Paramount Shares, then you are a registered Paramount Shareholder. You may vote in person at the Paramount 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 Paramount Meeting and vote your Paramount Shares in person, do not complete the enclosed form of proxy. When you arrive at the Paramount Meeting, register with Paramount's transfer agent, Computershare Trust Company of Canada and your vote at the Paramount Meeting will be counted.

Voting by Proxy

You may also vote your Paramount Shares by proxy. If you choose to vote by proxy, you may use the enclosed form of proxy or complete another proper instrument of proxy. The persons named in the enclosed form of proxy are directors and officers of Paramount. **You may appoint some other person to be your proxyholder at the Paramount 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 Paramount's transfer agent, Computershare Trust Company of Canada (i) by mail, at Computershare Trust Company of Canada, Proxy Department, 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario, L4B 4R5; (ii) by facsimile, at 1-866-249-7775 within North America or 416-263-9524 outside North America; (iii) by internet, at www.investorvote.com; or (iv) by telephone, by calling 1-866-732-VOTE (8683) within North America or 312-588-4290 outside North America, at least 48 hours (excluding weekends and holidays) before the time set for the Paramount Meeting to resume. **The time limit for deposit of proxies may be waived or extended by the Chairman of the Paramount Meeting at his or her discretion without notice. If you have voted by proxy, you may not vote in person at the Paramount Meeting unless you revoke your proxy.**

Paramount may utilize Broadridge Investor Communications Solutions' ("**Broadridge**") QuickVote system, which involves non-objecting beneficial owners of Paramount Shares being contacted by D.F. King, which is soliciting proxies on behalf of management of Paramount to obtain voting instructions over the telephone and relaying them to Broadridge (on behalf of the Paramount Shareholder's intermediary). While representatives of D.F. King are soliciting proxies on behalf of Paramount and the Paramount Board, which is recommending that Paramount Shareholders vote in favour of the Paramount Merger Resolution, Paramount Shareholders are not required to vote in the manner recommended by the Paramount Board. The QuickVote system is intended to assist Paramount Shareholders in placing their votes; however, there is no obligation for any Paramount Shareholder to vote using the QuickVote system, and Paramount Shareholders may vote or change or revoke their votes at any other time and in any other applicable manner described in this Circular. Any voting instructions provided by a Paramount Shareholder will be recorded and such Paramount Shareholder will receive a letter from Broadridge (on behalf of the Paramount Shareholder's intermediary) as confirmation that his/her/its voting instructions have been accepted.

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 same to Computershare Trust Company of Canada, at the above addresses, at least 48 hours (excluding weekends and holidays) prior to the commencement of the Paramount Meeting or any adjournment(s) or postponement(s) of the Paramount Meeting; or
- (b) depositing written notice of revocation at Paramount's registered office or to Computershare Trust Company of Canada, at the above address, at any time up to and including the last business day preceding the day of the Paramount Meeting or any adjournment(s) or postponement(s) thereof, or delivering it to the Chairman of the Paramount Meeting at the Paramount Meeting; or
- (c) attending and voting at the Paramount Meeting.

Beneficial Shareholder Voting

If your Paramount Shares are held in the name of a nominee (usually a bank, trust company, securities broker or other financial institution) then you are a beneficial Paramount Shareholder. You may vote in person at the Paramount Meeting as proxy for the registered holder of your Paramount Shares or by providing voting instructions to the registered holder of your Paramount Shares via mail, telephone or Internet. For further instructions, see the voting instruction form provided by your bank, trust company, securities broker or other financial institution.

Voting in person

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

Voting Instructions

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from beneficial securityholders in advance of securityholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to its clients. Follow these instructions carefully in order to ensure that your Paramount Shares are voted at the Paramount Meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically mails a scannable voting instruction form in lieu of the form of proxy. The beneficial securityholder is requested to complete and return the voting instruction form to Broadridge by mail or facsimile, or alternatively, to vote via the internet or by calling a toll-free telephone number to convey his or her voting instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions to Computershare Trust Company of Canada respecting the voting of Paramount Shares to be represented at the Paramount Meeting. **A beneficial Paramount Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Paramount Shares directly at the Paramount Meeting as the voting instruction form must be returned as directed by Broadridge or the nominee well in advance of the Paramount Meeting in order to have the Paramount Shares voted.**

General

Paramount is not using "notice-and-access" to send its proxy-related materials to the Paramount Shareholders, and paper copies of such materials will be sent to all Paramount Shareholders. Paramount will not send proxy-related materials directly to non-objecting beneficial holders and such materials will be delivered to non-objecting beneficial holders through their intermediaries.

Outstanding Securities and Principal Holders

As at July 31, 2017, 106,234,615 Paramount Shares were issued and outstanding. To the knowledge of Paramount's directors and executive officers, the only person that held 10% or more of the Paramount Shares as at July 31, 2017 was Mr. Clayton H. Riddell, Paramount's Executive Chairman, who beneficially owned or controlled, directly or indirectly, 47,742,760 Paramount Shares representing approximately 45% of the outstanding Paramount Shares as of such date.

Trilogy

Solicitation of Proxies

This Circular is being furnished to the Trilogy Shareholders in connection with the solicitation of proxies by or on behalf of the Trilogy Board of Directors and management of Trilogy for use at the Trilogy Meeting. It is expected that the solicitation of proxies will be primarily by mail, however directors, officers and employees of Trilogy may solicit proxies by telephone, fax, email or in person (who will not be specifically remunerated therefor). The costs of solicitation of proxies will be borne by Trilogy.

D.F. King is acting as Trilogy's proxy solicitation agent. If you have any questions or require assistance in voting your proxy, please contact our proxy solicitation agent, D.F. King, toll-free at 1-866-521-4425 (1-212-771-1133 by collect call) or by email at inquiries@dfking.com. D.F. King will receive a fee of approximately \$65,000 plus reasonable out-of-pocket expenses.

The Trilogy Meeting is being called pursuant to the Interim Order of the Court to seek the requisite approval of Trilogy Shareholders to the Arrangement in accordance with Section 193 of the Act.

Voting

The record date for the Trilogy Meeting is August 4, 2017 (the “**Trilogy Record Date**”). If you are a registered holder of Trilogy Shares as of the close of business on the Trilogy Record Date, you are entitled to receive notice of, and to attend and vote at the Meeting. You will be entitled to vote your Trilogy Shares at the Meeting except to the extent that:

- (a) you have transferred the ownership of your Trilogy Common Shares after the Trilogy Record Date; and
- (b) the transferee of those Trilogy Common Shares produces properly endorsed share certificates or otherwise establishes that they own the Trilogy Common Shares and demands not later than 10 days before the Trilogy Meeting that their name be included on the list of Trilogy Shareholders entitled to vote at the Trilogy Meeting, in which case the transferee is entitled to vote those Trilogy Common Shares at the Meeting.

When any Trilogy Common Share is held jointly by two or more persons, any one of them who is present at the Trilogy Meeting may in the absence of the other(s) vote at the Trilogy Meeting in respect of such Trilogy Common Share. If, however, more than one of them shall be present at the Trilogy Meeting, in person or by proxy, they shall vote as one on the Trilogy Common Shares jointly held by them.

Each Trilogy Share is entitled to one vote.

Quorum

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

Proxy Voting

You can indicate on your form of proxy how you want your proxyholder to vote your Trilogy Shares or you can let your proxyholder decide for you. If you specify how you want your Trilogy Shares voted, then your proxyholder must vote in accordance with your instructions. In the absence of specific instructions, your proxyholder can vote your Trilogy Shares as he or she sees fit. **If you appoint Clayton H. Riddell of Calgary, Alberta, or failing him, James H.T. Riddell also of Calgary, Alberta, and do not specify how you want your Trilogy Shares to be voted, your Trilogy Shares WILL BE VOTED IN FAVOUR OF THE TRILOGY ARRANGEMENT RESOLUTION.**

Exercise of Discretion by Proxyholders

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Trilogy Notice of Meeting and to any other matters which may properly come before the Trilogy Meeting. At the time of printing of this Circular, management knows of no such amendment, variation or matter to come before the Trilogy Meeting other than the matters referred to above. If other matters do properly come before the Trilogy Meeting, your proxyholder will vote on them using his or her best judgment unless such discretionary authority is not given.

Registered Shareholder Voting

If your Trilogy Shares are held in your name and you have a certificate representing such Trilogy Shares, then you are a registered Trilogy Shareholder. You may vote in person at the Trilogy 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 Trilogy Meeting and vote your Trilogy Shares in person, do not complete the enclosed form of proxy. When you arrive at the Trilogy Meeting, register with Trilogy's transfer agent Computershare Trust Company of Canada and your vote at the Trilogy Meeting will be counted.

Voting by Proxy

Whether or not you attend the Trilogy Meeting, you may also vote your Trilogy Shares by proxy. If you choose to vote by proxy, you may use the enclosed form of proxy or complete another proper instrument of proxy. The persons named in the enclosed form of proxy are directors and/or officers of Trilogy. **You may appoint some other person to be your proxyholder at the Trilogy 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. Your votes can only be counted if the person you appointed attends the Trilogy Meeting and votes on your behalf.** Whether you appoint the persons named in the enclosed form of proxy or another person to be your proxyholder, you must deliver the completed and executed form of proxy to Trilogy's transfer agent, Computershare Trust Company of Canada (i) by mail, at Computershare Trust Company of Canada, Proxy Department, 135 West Beaver Creek, P.O. Box 300, Richmond Hill, Ontario, L4B 4R5; (ii) by facsimile, at 1-866-249-7775 within North America or 416-263-9524 outside North America; (iii) by internet, at www.investorvote.com; or (iv) by telephone, by calling 1-866-732-VOTE (8683) within North America or 312-588-4290 outside North America, at least 48 hours (excluding weekends and holidays) before the time set for the Trilogy Meeting to resume. **The time limit for deposit of proxies may be waived or extended by the Chairman of the Trilogy Meeting at his or her discretion without notice. If you have voted by proxy, you may not vote in person at the Trilogy Meeting unless you revoke your proxy.**

Trilogy may utilize Broadridge's QuickVote system, which involves non-objecting beneficial owners of Trilogy Shares being contacted by D.F. King, which is soliciting proxies on behalf of management of Trilogy to obtain voting instructions over the telephone and relaying them to Broadridge (on behalf of the Trilogy Shareholder's intermediary). While representatives of D.F. King are soliciting proxies on behalf of Trilogy and the Trilogy Board, which is recommending that Trilogy Shareholders vote in favour of the Trilogy Arrangement Resolution, Trilogy Shareholders are not required to vote in the manner recommended by the Trilogy Board. The QuickVote system is intended to assist Trilogy Shareholders in placing their votes; however, there is no obligation for any Trilogy Shareholder to vote using the QuickVote system, and Trilogy Shareholders may vote or change or revoke their votes at any other time and in any other applicable manner described in this Circular. Any voting instructions provided by a Trilogy Shareholder will be recorded and such Trilogy Shareholder will receive a letter from Broadridge (on behalf of the Trilogy Shareholder's intermediary) as confirmation that his/her/its voting instructions have been accepted.

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 same to Computershare Trust Company of Canada, at the above addresses, at least 48 hours (excluding weekends and holidays) prior to the commencement of the Trilogy Meeting or any adjournment(s) or postponement(s) of the Trilogy Meeting; or

- (b) depositing written notice of revocation at Trilogy's registered office or to Computershare Trust Company of Canada, at the above address, at any time up to and including the last business day preceding the day of the Trilogy Meeting or any adjournment(s) or postponement(s) thereof, or delivering it to the Chairman of the Trilogy Meeting at the Trilogy Meeting; or
- (c) attending and voting at the Trilogy Meeting.

Beneficial Shareholder Voting

If your Trilogy Shares are held in the name of a nominee (usually a bank, trust company, securities broker or other financial institution) then you are a beneficial Trilogy Shareholder. You may vote in person at the Trilogy Meeting as proxy for the registered holder of your Trilogy Shares or by providing voting instructions to the registered holder of your Trilogy Shares via mail, telephone or Internet. For further instructions, see the voting instruction form provided by your bank, trust company, securities broker or other financial institution.

Voting in person

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

Voting Instructions

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from beneficial securityholders in advance of securityholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to its clients. Follow these instructions carefully in order to ensure that your Trilogy Shares are voted at the Trilogy Meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically mails a scannable voting instruction form in lieu of the form of proxy. The beneficial securityholder is requested to complete and return the voting instruction form to Broadridge by mail or facsimile, or alternatively, to vote via the internet or by calling a toll-free telephone number to convey his or her voting instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions to Computershare Trust Company of Canada respecting the voting of Trilogy Shares to be represented at the Trilogy Meeting. **A beneficial Trilogy Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Trilogy Shares directly at the Trilogy Meeting as the voting instruction form must be returned as directed by Broadridge or the nominee well in advance of the Trilogy Meeting in order to have the Trilogy Shares voted.**

General

Trilogy is not using "notice-and-access" to send its proxy-related materials to the Trilogy Shareholders, and paper copies of such materials will be sent to all Trilogy Shareholders. Trilogy will not send proxy-related materials directly to non-objecting beneficial holders and such materials will be delivered to non-objecting beneficial holders through their intermediaries.

Outstanding Securities and Principal Holders

As at July 31, 2017, 105,312,350 Trilogy Common Shares, 20,835,862 Trilogy Non-Voting Shares and 5,166,720 Trilogy Options were issued and outstanding. To the knowledge of the directors and officers of Trilogy, no person or company beneficially owns, directly or indirectly, or has control or direction over Trilogy Common Shares carrying more than ten percent (10%) of the voting rights attached to all of the

issued and outstanding Trilogy Common Shares as at July 31, 2017 other than those held or controlled directly or indirectly by Clayton H. Riddell, Trilogy's Chairman, and Paramount as set out in the table below. All of the Trilogy Non-Voting Shares are beneficially owned or controlled by Clayton H. Riddell and Paramount, as set out in the table below.

Owned/Controlled By	Number of Trilogy Common Shares	Percent of Trilogy Common Shares	Number of Trilogy Non-Voting Shares	Percent of Trilogy Non-Voting Shares	Percent of Total Trilogy Shares
Clayton H. Riddell	27,969,991	26.6%	14,447,372	69.3%	33.6%
Paramount	12,755,845	12.1%	6,388,490	30.7%	15.2%
Resources Ltd.					
Total	40,725,836	38.7%	20,835,862	100%	48.8%

ADDITIONAL INFORMATION

Additional information relating to Paramount and Trilogy is available through the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com under each of Paramount and Trilogy's respective SEDAR profiles.

The most current financial information relating to Trilogy is available in the interim financial statements of Trilogy for three and six months ended June 30, 2017 and the accompanying management discussion and analysis, which can be accessed at www.sedar.com or which may be obtained upon request from Trilogy at its head office. The most recent interim financial statements will be sent without charge to any Trilogy Shareholder upon request to Trilogy.

The most current financial information relating to Paramount is available in the interim financial statements of Paramount for three and six months ended June 30, 2017 and the accompanying management discussion and analysis, which can be accessed at www.sedar.com or which may be obtained upon request from Paramount at its head office. The most recent interim financial statements will be sent without charge to any Paramount Shareholder upon request to Paramount.

QUESTIONS AND OTHER ASSISTANCE

If you are a Trilogy Shareholder and/or a Paramount Shareholder and you have any questions about the information contained in this Circular, please contact your financial, legal, tax or other professional advisors.

APPROVALS

Each of the Paramount Board and the Trilogy Board has approved the contents of this Circular and the delivery thereof to its securityholders and shareholders, respectively.

CONSENT OF DELOITTE LLP

We have read the joint information circular (the “**Circular**”) of Paramount Resources Ltd. (“**Paramount**”) and Trilogy Energy Corp. (“**Trilogy**”) dated August 8, 2017 relating to the special meetings of the holders (the “**Paramount Shareholders**”) of Paramount’s Class A Common Shares (the “**Paramount Shares**”) and holders (the “**Trilogy Shareholders**”) of Trilogy’s common shares and non-voting shares (collectively, the “**Trilogy Shares**”) to consider the merger of Paramount and Trilogy (the “**Merger**”) to be completed by way of an arrangement under the *Business Corporations Act* (Alberta).

We consent to (i) the inclusion in the Circular of a summary of our valuation reports dated July 6, 2017 setting forth our formal valuations of the Paramount Shares and the Trilogy Shares and the complete text of our opinions dated July 6, 2017 concerning the fairness, from a financial point of view, to both the Paramount Shareholders and the Trilogy Shareholders, of the consideration to be paid by Paramount in connection with the Merger, (ii) the references in the Circular to our firm name and to the valuation reports and fairness opinions and (iii) the filing of the valuation reports with securities regulatory authorities.

DATED at the City of Calgary, in the Province of Alberta, this 8th day of August, 2017.

(signed) “*Deloitte LLP*”

APPENDIX A

PARAMOUNT RESOURCES LTD. RESOLUTIONS

Paramount Merger Resolution

BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

- 1 the merger between Paramount Resources Ltd. ("**Paramount**") and Trilogy Energy Corp. ("**Trilogy**") pursuant to that arrangement agreement between the parties dated July 6, 2017 (the "**Arrangement Agreement**"), as more particularly described in the joint management information circular of Paramount and Trilogy dated August 8, 2017 (the "**Circular**"), is hereby approved;
- 2 the issuance of up to 30,000,000 Class A Common Shares pursuant to (i) the arrangement involving Trilogy under the *Business Corporations Act* (Alberta) (the "**Arrangement**"), as set out in Schedule I of the Arrangement Agreement and (ii) amended stock options of Trilogy, is hereby authorized and approved; and
- 3 notwithstanding that this resolution has been passed by the shareholders of Paramount, the directors of Paramount are hereby authorized and empowered, without further notice to or approval of the shareholders of Paramount: (a) to modify, amend or terminate the Arrangement Agreement or the Plan of Arrangement forming part of the Arrangement Agreement to the extent permitted by the Arrangement Agreement; and (b) not to proceed with the Arrangement or to revoke this resolution at any time prior to the Arrangement becoming effective.

Paramount Board Constitution Resolution

BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT, conditional upon and with the arrangement (the "**Arrangement**") described in the Joint Information Circular dated August 8, 2017 becoming effective, the following persons be and are hereby elected to hold office, in addition to those already elected or in office, as directors of Paramount Resources Ltd. from and after the Arrangement becoming effective until the next annual meeting or until their successors are elected or appointed:

Wilfred A. Gobert
Robert M. MacDonald
R. Keith MacLeod

APPENDIX B

TRILOGY ENERGY CORP. ARRANGEMENT RESOLUTION

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

- 1 the arrangement (the “**Arrangement**”) under Section 193 of the *Business Corporations Act* (Alberta) (the “**Act**”) involving Trilogy Energy Corp. (“**Trilogy**”) and its shareholders, as more particularly described in the joint management information circular of Paramount and Trilogy dated August 8, 2017, is hereby authorized and approved;
- 2 the arrangement agreement dated as of July 6, 2017 providing for the Arrangement (the “**Arrangement Agreement**”) is hereby ratified and approved; and
- 3 notwithstanding that this resolution has been passed by the shareholders of Trilogy or that the Arrangement has been approved by the Court of Queen’s Bench of Alberta, the directors of Trilogy are hereby authorized and empowered, without further notice to or approval of the shareholders of Trilogy: (a) to modify, amend or terminate the Arrangement Agreement or the Plan of Arrangement forming part of the Arrangement Agreement to the extent permitted by the Arrangement Agreement; and (b) not to proceed with the Arrangement or to revoke this resolution at any time prior to the Arrangement becoming effective.

APPENDIX C
ARRANGEMENT AGREEMENT

ARRANGEMENT AGREEMENT

between

PARAMOUNT RESOURCES LTD.

and

TRILOGY ENERGY CORP.

July 6, 2017

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ARRANGEMENT AGREEMENT

THIS AGREEMENT made as of the 6th day of July, 2017.

BETWEEN:

PARAMOUNT RESOURCES LTD., a corporation incorporated under the laws of Alberta ("**Paramount**")

- and -

TRILOGY ENERGY CORP., a corporation incorporated under the laws of Alberta ("**Trilogy**")

(and Paramount and Trilogy are sometimes hereinafter referred to as the "**Parties**" and each a "**Party**")

WHEREAS Paramount and Trilogy propose to combine their businesses;

AND WHEREAS the Parties intend to carry out the combination by way of an arrangement under Section 193 of the *Business Corporations Act* (Alberta);

AND WHEREAS the Parties have entered into this Agreement to provide for such arrangement;

NOW THEREFORE in consideration of the respective covenants and agreements of the Parties set forth herein, the Parties hereby agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, the following terms have the following meanings:

"**ABCA**" means the *Business Corporations Act* (Alberta);

"**Acquireco**" means the wholly-owned Subsidiary of Paramount that will be the acquiring party under the Apache Canada Acquisition Agreement;

"**Acquisition Proposal**" means any inquiry or the making of any proposal to a Party or its shareholders from any Person or group of Persons "acting jointly or in concert" (within the meaning of National Instrument 62-104 —*Take-Over Bids and Issuer Bids*) which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions): (a) an acquisition from such Party of 20% or more of the voting securities of such Party or its Subsidiaries; (b) any acquisition of a substantial amount of assets (or any lease, long term supply agreement or other arrangement having the same economic effect as a purchase or sale of a substantial amount of assets) of such Party and its Subsidiaries taken as a whole; (c) an amalgamation, arrangement, merger, or consolidation involving such Party or its Subsidiaries; (d) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving such Party or its Subsidiaries; or (e) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by this Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to a Party under this Agreement or the Arrangement;

“Agreement”, **“herein”**, **“hereof”**, **“hereto”**, **“hereunder”** and similar expressions mean and refer to this arrangement agreement (including the schedule hereto) as supplemented, modified or amended, and not to any particular article, section, schedule or other portion hereof;

“Apache Canada Acquisition” means the indirect acquisition by Paramount of Apache Canada Ltd. pursuant to the Apache Canada Acquisition Agreement;

“Apache Canada Acquisition Agreement” means the agreement among Acquireco and certain Subsidiaries of Apache Corporation dated July 5, 2017 providing for the indirect acquisition of Apache Canada Ltd. by Paramount;

“Apache Canada Reserves Report” means the report dated June 29, 2017 prepared by McDaniel and evaluating the oil, natural gas and natural gas liquids reserves attributable to Apache Canada Ltd.’s properties to be acquired by Paramount in the Apache Canada Acquisition effective as of June 1, 2017;

“Arrangement” means an arrangement under the provisions of Section 193 of the ABCA on the terms and conditions set forth in the Plan of Arrangement;

“Arrangement Resolution” means the special resolution of the Trilogy Shareholders in respect of the Arrangement to be considered by the Trilogy Shareholders at the Trilogy Meeting;

“business day” means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open for business in Calgary, Alberta;

“Commissioner” means the Commissioner of Competition appointed under subsection 7(1) of the Competition Act or his designee;

“Competition Act” means the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

“Competition Act Approval” means, in respect of the Arrangement, the occurrence of one of the following: (i) the receipt of an advance ruling certificate under subsection 102(1) of the Competition Act (**“ARC”**); or (ii) both of (A) the waiting period, including any extension thereof, under Section 123 of the Competition Act shall have expired or been terminated or the obligation to provide a pre-merger notification in accordance with Part IX of the Competition Act shall have been waived in accordance with subsection 113(c) of the Competition Act, and (B) the Parties shall have received a No Action Letter.

“Completion Deadline” means October 31, 2017;

“Confidentiality Agreement” means the confidentiality agreement between Paramount and Trilogy dated May 5, 2017;

“Court” means the Court of Queen’s Bench of Alberta;

“Dissent Rights” means the rights of dissent provided for in Article 3 of the Plan of Arrangement;

“Effective Date” means the date the Arrangement becomes effective under the ABCA;

“Effective Time” means the time at which articles of arrangement to give effect to the Arrangement are filed with the Registrar on the Effective Date;

“Employee Obligations” means any obligations or liabilities of Trilogy to pay any amount to current or former Employees or consultants other than for (i) salary, benefits, consulting fees, vacation pay and directors’ fees in the ordinary course in each case in amounts consistent with

historic practices; (ii) accrued amounts payable under Trilogy's cash bonus plan as disclosed in writing to Paramount prior to the date hereof or (iii) directors' fees for members of the Trilogy Independent Committee;

"Employees" means all persons employed by Trilogy or its Subsidiaries on a full-time, part-time or temporary basis, and also includes for the purposes hereof, all officers and directors of Trilogy, all individuals who are on disability leave, parental leave, or other approved leave of absence from Trilogy or one of its Subsidiaries; and, any person retained by Trilogy or its Subsidiaries as an independent contractor or consultant;

"Environmental Laws" means any applicable federal, provincial, municipal or local laws, regulations, orders, government decrees, ordinances or regulatory approvals with respect to environmental, health or safety matters;

"Final Order" means the final order of the Court approving the Arrangement under subsection 193(9) of the ABCA to be applied for following the Trilogy Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"GAAP" means generally accepted accounting principles for publicly accountable enterprises as defined from time to time by the Chartered Professional Accountants of Canada in the CPA Handbook;

"Governmental Entity" means any applicable: (i) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, whether domestic or foreign, and where applicable, includes the Securities Authorities; (ii) any subdivision, agency, commission, board or authority of any of the foregoing; or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

"Independent Valuator" means Deloitte LLP;

"Independent Valuator Agreement" means the agreement dated May 16, 2017 among Paramount, Trilogy and the Independent Valuator relating to the advisory services provided by the Independent Valuator in connection with the Arrangement;

"Information Circular" means the joint information circular to be prepared by Paramount and Trilogy and forwarded as part of the proxy solicitation materials to Paramount Shareholders and Trilogy Shareholders in respect of the Meetings;

"Interim Order" means the interim order of the Court under subsection 193(4) of the ABCA relating to the Arrangement;

"Material Adverse Change" or "Material Adverse Effect" with respect to a Party means any fact or state of facts, circumstance, change (or any condition, event or development involving a prospective change), effect or occurrence which is, or would reasonably be expected to be, individually or in the aggregate, material and adverse to the business, operations, results of operations, assets, capitalization, financial condition, liabilities (whether absolute, accrued, conditional, contingent or otherwise), prospects or properties of such Party (on a consolidated basis), other than any fact or state of facts, circumstance, change (or any condition, event or development involving a prospective change), effect or occurrence resulting from:

- (i) a matter that has been publicly disclosed by such Party or otherwise expressly disclosed in writing by such Party to the other Party prior to the date hereof;

- (ii) conditions affecting the oil and gas exploration, exploitation, development and production industry as a whole, and not specifically relating to such Party;
- (iii) general economic, financial, currency exchange, securities or commodity market conditions in Canada or elsewhere;
- (iv) any decline in the market price for crude oil, natural gas or related hydrocarbons on a current or forward basis;
- (v) compliance with the terms of this Agreement or any action or inaction taken by such Party that is consented to by the other Party expressly in writing or that is a result therefrom;
- (vi) the announcement of the execution of this Agreement or the transactions contemplated hereby;
- (vii) any change in the market price or trading volume of the Paramount Shares, with respect to Paramount, or the Trilogy Common Shares, with respect to Trilogy;
- (viii) changes in laws (including laws related to taxes), GAAP or interpretation, application or non-application of laws by Governmental Entities and not specifically related to such Party; or
- (ix) any natural disaster, act of terrorism or military action, or any outbreak of hostilities or war (whether or not declared), or any escalation or worsening of such acts;

“material fact” has the meaning given to it under the Securities Act;

“McDaniel” means McDaniel & Associates Consultants Ltd.;

“Meetings” means the Paramount Meeting and the Trilogy Meeting;

“MI 61-101” means Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* of certain Canadian Securities Administrators;

“No Action Letter” means written confirmation from the Commissioner stating that the Commissioner does not, at that time, intend to make an application under section 92 of the Competition Act in respect of the Arrangement;

“Paramount Continuous Disclosure” means all information filed by or on behalf of Paramount with the Securities Authorities in compliance, or intended compliance, with any applicable securities laws since December 31, 2016 and on or prior to the date hereof;

“Paramount Financial Statements” means Paramount’s audited consolidated financial statements as at and for the years ended December 31, 2016 and 2015 and Paramount’s unaudited interim financial statements as at and for the three month periods ended March 31, 2017 and 2016;

“Paramount Independent Committee” means the committee of independent directors of the Paramount board of directors formed to consider the Arrangement;

“Paramount Information” means the information provided by Paramount which is required to be or is otherwise included in the Information Circular;

"Paramount Interim Reserves Report" means the report dated May 30, 2017 prepared by McDaniel and evaluating the oil, natural gas and natural gas liquids reserves attributable to Paramount's principal properties effective as of June 1, 2017;

"Paramount Meeting" means the special meeting of Paramount Shareholders to be held to consider and, if deemed advisable, approve the Paramount Merger Resolution;

"Paramount Merger Resolution" means the ordinary resolution of the Paramount Shareholders to authorize and approve the merger of Paramount and Trilogy, including the issuance by Paramount of the Paramount Shares to the Trilogy Shareholders (other than Paramount) pursuant to the Arrangement;

"Paramount Option Plan" means the share option plan of Paramount in place as of the date hereof;

"Paramount Options" means the outstanding options to acquire Paramount Shares issued by Paramount pursuant to the Paramount Option Plan;

"Paramount Recommendation" means the recommendation of the Paramount board of directors to Paramount Shareholders that they vote in favour of the Paramount Merger Resolution;

"Paramount Reserves Report" means the reports dated March 8, 2017 prepared by McDaniel and evaluating the oil, natural gas and natural gas liquids reserves attributable to Paramount's principal properties and the bitumen reserves held through Cavalier Energy Inc., each effective as of December 31, 2016;

"Paramount Shareholders" means the holders of Paramount Shares;

"Paramount Shares" means the Class A Common Shares in the capital of Paramount;

"person" means an individual, partnership, association, body corporate, trust, unincorporated organization, government, regulatory authority, or other entity;

"Plan of Arrangement" means the plan of arrangement attached hereto as Schedule I;

"Registrar" means the Registrar appointed under section 263 of the ABCA;

"Securities Act" means the *Securities Act* (Alberta), as amended and the regulations thereunder, as amended;

"Securities Authorities" means collectively, the Alberta Securities Commission and the other securities regulatory authorities in the provinces and territories of Canada;

"SEDAR" means the System for Electronic Data Analysis and Retrieval maintained by the Securities Authorities;

"Subsidiary" has the meaning set forth in the Securities Act;

"Superior Proposal" means a written *bona fide* Acquisition Proposal, that did not result from or involve a breach of Section 5.1(a), which the board of directors of the Party subject to the Acquisition Proposal determines (upon recommendation by the Trilogy Independent Committee, in the case of Trilogy, and the Paramount Independent Committee, in the case of Paramount) in good faith: (1) that the funds or other consideration necessary to complete the Acquisition Proposal are or are reasonably likely to be available to fund completion of the Acquisition

Proposal at the time and on the basis set out therein; (2) after consultation with its financial advisor(s), would or would be reasonably likely to, if consummated in accordance with its terms, result in a transaction financially superior for shareholders of such Party to the transaction contemplated by this Agreement; (3) after consultation with its financial advisor(s) and outside counsel, is reasonably likely to be consummated at the time and on the terms proposed, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal; and (4) after receiving the advice of outside counsel, as reflected in minutes of the board of directors of such Party, that the taking of such action is necessary for the board of directors of the Party subject to the Acquisition Proposal to act in a manner consistent with its fiduciary duties under applicable laws;

"Tax Act" means the *Income Tax Act* (Canada) and the regulations thereunder;

"Trilogy Common Shareholders" means the holders of Trilogy Common Shares;

"Trilogy Common Shares" means the common shares in the capital of Trilogy;

"Trilogy Continuous Disclosure" means all information filed by or on behalf of Trilogy with the Securities Authorities in compliance, or intended compliance, with any applicable securities laws since December 31, 2016 and on or prior to the date hereof.

"Trilogy Financial Statements" Trilogy's audited financial statements as at and for the years ended December 31, 2016 and 2015 and Trilogy's unaudited interim financial statements as at and for the three month periods ended March 31, 2017 and 2016;

"Trilogy Independent Committee" means the committee of independent directors of the Trilogy board of directors formed to consider the Arrangement;

"Trilogy Information" means the information provided by Trilogy which is required to be or is otherwise included in the Information Circular;

"Trilogy Interim Reserves Report" means the independent engineering evaluation prepared by McDaniel dated June 13, 2017 evaluating Trilogy's crude oil, natural gas and natural gas liquids reserves effective as of June 1, 2017;

"Trilogy Meeting" means the special meeting of Trilogy Shareholders to be held to consider and, if deemed advisable, approve the Arrangement Resolution;

"Trilogy Non-Voting Shareholders" means the holders of Trilogy Non-Voting Shares;

"Trilogy Non-Voting Shares" means the non-voting shares in the capital of Trilogy;

"Trilogy Option Plan" means the share option plan of Trilogy in place as of the date hereof;

"Trilogy Option Support Agreement" means the support agreement to be entered into between Paramount and Trilogy at or prior to the Effective Time to provide for, among other things, the delivery of Paramount Shares to Trilogy Optionholders upon exercise of Trilogy Options following the Effective Time;

"Trilogy Optionholders" means the holders of Trilogy Options;

"Trilogy Options" means the outstanding options to acquire Trilogy Common Shares issued by Trilogy pursuant to the Trilogy Option Plan;

“Trilogy Recommendation” means the recommendation of the Trilogy board of directors to Trilogy Shareholders that they vote in favour of the Arrangement Resolution;

“Trilogy Reserves Report” means the independent engineering evaluation prepared by McDaniel dated March 7, 2017, evaluating Trilogy’s crude oil, natural gas and natural gas liquids reserves effective as of December 31, 2016;

“Trilogy Share Incentive Plan” means the share incentive plan of Trilogy in place as of the date hereof;

“Trilogy Share Rights” means the outstanding share rights issued under the Trilogy Share Incentive Plan;

“Trilogy Shareholders” means the Trilogy Common Shareholders and the Trilogy Non-Voting Shareholders;

“Trilogy Shares” means, collectively, the Trilogy Common Shares and the Trilogy Non-Voting Shares;

“TSX” means the Toronto Stock Exchange; and

“U.S. Securities Act” means the *Securities Act of 1933*, as amended, of the United States of America, and the rules and regulations promulgated from time to time thereunder.

1.2 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada unless otherwise specified.

1.3 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections and schedules and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.4 Article References

Unless the contrary intention appears, references in this Agreement (excluding the Plan of Arrangement) to an article, section, subsection or paragraph by number or letter or both refer to the article, section, subsection or paragraph, respectively, bearing that designation in this Agreement (excluding the Plan of Arrangement).

1.5 Extended Meanings

Unless the context otherwise requires, words importing the singular number shall include the plural and *vice versa*; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, bodies corporate, trusts, unincorporated organizations, governments, regulatory authorities, and other entities.

1.6 Entire Agreement

This Agreement, together with the schedules attached hereto, constitutes the entire agreement between the Parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties with respect to the subject matter hereof other than the Confidentiality Agreement.

ARTICLE 2 THE ARRANGEMENT

2.1 Arrangement

As soon as reasonably practicable, and subject to compliance with the terms and conditions contained herein, Trilogy shall:

- (a) apply to the Court pursuant to Section 193 of the ABCA for an order approving the Arrangement and in connection with such application shall:
 - (i) forthwith file, proceed with and diligently prosecute an application for an Interim Order providing for, among other things, the calling and holding of the Trilogy Meeting for the purpose of considering and, if deemed advisable, approving the Arrangement; and
 - (ii) subject to obtaining Trilogy Shareholder approval as contemplated in the Interim Order, forthwith file, proceed with and diligently prosecute an application to the Court for a Final Order; and
- (b) subject to obtaining the Final Order, deliver to the Registrar articles of arrangement and such other documents as may be required to give effect to the Arrangement.

2.2 Interim Order

The notice of the originating application for the Interim Order sought by Trilogy shall request that the Interim Order provide that for the purpose of the Trilogy Meeting, among other matters, that:

- (a) the securities of Trilogy for which the holders shall be entitled to vote on the Arrangement shall be the Trilogy Common Shares and the Trilogy Non-Voting Shares, voting together as a single class;
- (b) the Trilogy Common Shareholders shall be entitled to one vote for each Trilogy Common Share held and the Trilogy Non-Voting Shareholders shall be entitled to one vote for each Trilogy Non-Voting Share held; and
- (c) the requisite majority for the approval of the Arrangement Resolution by the Trilogy Shareholders shall be:
 - (i) two-thirds of the votes cast by the Trilogy Shareholders present in person or by proxy at the Trilogy Meeting;
 - (ii) a majority of the votes cast by the Trilogy Shareholders present in person or by proxy at the Trilogy Meeting after excluding the votes attached to the Trilogy Shares that, to the knowledge of Trilogy and its directors and senior officers, after reasonable inquiry, are required to be excluded pursuant to the requirements of MI 61-101; and
 - (iii) any requisite approval that may be required by the TSX.

2.3 Paramount Meeting

As soon as reasonably practicable, Paramount shall call the Paramount Meeting to be held on the same day as the Trilogy Meeting for the purpose of considering and, if deemed advisable, passing the Paramount Merger Resolution by:

- (a) a majority of the votes cast by the Paramount Shareholders present in person or by proxy at the Paramount Meeting after excluding the votes attached to the Paramount Shares that, to the knowledge of Paramount and its directors and senior officers, after reasonable inquiry, are required to be excluded pursuant to the requirements of MI 61-101; and
- (b) any requisite approval that may be required by the TSX.

2.4 Trilogy Approval and Recommendation

Trilogy represents and warrants to Paramount that:

- (a) the board of directors of Trilogy has determined that:
 - (i) the Arrangement is in the best interests of Trilogy;
 - (ii) the Arrangement is fair to the Trilogy Shareholders; and
 - (iii) it will make the Trilogy Recommendation; and
- (b) the board of directors of Trilogy has received a verbal opinion from the Independent Valuator that the issuance by Paramount of one Paramount Share for every 3.75 Trilogy Shares is fair, from a financial point of view, to the Trilogy Shareholders.

2.5 Paramount Approval and Recommendation

Paramount represents and warrants to Trilogy that:

- (a) the board of directors of Paramount has determined that:
 - (i) the Arrangement is in the best interests of Paramount;
 - (ii) the Arrangement is fair to the Paramount Shareholders; and
 - (iii) it will make the Paramount Recommendation; and
- (b) the board of directors of Paramount has received a verbal opinion from the Independent Valuator that the issuance by Paramount of one Paramount Share for every 3.75 Trilogy Shares is fair, from a financial point of view, to the Paramount Shareholders.

2.6 Information Circular

- (a) Paramount and Trilogy shall prepare, in consultation with each other, the Information Circular and cause such circular to be mailed to the Paramount Shareholders and the Trilogy Shareholders and filed with Securities Authorities in all jurisdictions where the Information Circular is required to be mailed and filed.
- (b) As of the date the Information Circular is first mailed to the Paramount Shareholders and the Trilogy Shareholders and the date of the Meetings, the Information Circular shall be

complete and correct in all material respects, shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they are made, not misleading and shall comply in all material respects with all applicable laws. Without limiting the generality of the foregoing, the Parties shall ensure that the Information Circular provides Paramount Shareholders and Trilogy Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters to be placed before them at the Meetings.

2.7 Mutual Conditions Precedent

The respective obligations of the Parties to complete the transactions contemplated by this Agreement, and of Trilogy to file the articles of arrangement required to give effect to the Arrangement, shall be subject to the satisfaction of the following conditions:

- (a) the Interim Order shall have been granted in form and substance satisfactory to Paramount and Trilogy, each acting reasonably;
- (b) the Arrangement Resolution shall have been approved by the Trilogy Shareholders at the Trilogy Meeting in accordance with the Interim Order;
- (c) the Paramount Merger Resolution shall have been passed by the Paramount Shareholders at the Paramount Meeting in accordance with Section 2.3;
- (d) the Final Order shall have been granted in form and substance satisfactory to Paramount and Trilogy, each acting reasonably;
- (e) the TSX shall have conditionally approved the listing of the Paramount Shares issuable under the Arrangement, subject to compliance with the normal listing requirements of the TSX;
- (f) the Competition Act Approval and all other material consents, orders and approvals, including any regulatory or judicial approvals or orders, that are necessary to effect the Arrangement shall have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances on terms and conditions acceptable to the Parties, each acting reasonably;
- (g) the requisite consents under each Party's credit agreements shall have been obtained;
- (h) no order or decree restraining or enjoining the consummation of the Arrangement shall be in force at the time for filing the articles of arrangement required to give effect to the Arrangement;
- (i) the Apache Canada Acquisition shall have been completed substantially on the terms of the Apache Canada Acquisition Agreement; and
- (j) this Agreement shall not have been terminated under Section 6.2 or otherwise.

The foregoing conditions set forth in this Section 2.7 are for the mutual benefit of Paramount and Trilogy and may only be waived by the mutual consent of each Party, in whole or in part, in their respective sole discretions, in writing, at any time and from time to time.

2.8 Conditions in favour of Paramount

The obligations of Paramount to complete the transactions contemplated by this Agreement shall be subject to the satisfaction of the following conditions:

- (a) the representations and warranties made by Trilogy in this Agreement shall be true and correct in all material respects (or, if qualified by Material Adverse Effect or materiality in any manner, true and correct) as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date) and Trilogy shall have provided to Paramount a certificate of two officers certifying same on the Effective Date;
- (b) Trilogy shall have complied in all material respects with its covenants herein, and Trilogy shall have provided to Paramount a certificate of two officers certifying same on the Effective Date;
- (c) since the date hereof there shall not have occurred a Material Adverse Change with respect to Trilogy; and
- (d) Trilogy Common Shareholders holding no more than 5% of the Trilogy Shares shall have exercised Dissent Rights.

The foregoing conditions set forth in this Section 2.8 are for the exclusive benefit of Paramount and may be waived by Paramount, in whole or in part, in its sole discretion, in writing, at any time and from time to time.

2.9 Conditions in favour of Trilogy

The obligations of Trilogy to complete the transactions contemplated by this Agreement, and to file the articles of arrangement required to give effect to the Arrangement, shall be subject to the satisfaction of the following conditions:

- (a) the representations and warranties made by Paramount in this Agreement shall be true and correct in all material respects (or, if qualified by materiality in any manner, true and correct) as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date), and Paramount shall have provided to Trilogy a certificate of two officers certifying same on the Effective Date;
- (b) Paramount shall have complied in all material respects with its covenants herein, and Paramount shall have provided to Trilogy a certificate of two officers certifying same on the Effective Date; and
- (c) since the date hereof there shall not have occurred a Material Adverse Change with respect to Paramount.

The foregoing conditions set forth in this Section 2.9 are for the exclusive benefit of Trilogy and may be waived by Trilogy, in whole or in part, in its sole discretion, in writing at any time and from time to time.

2.10 Notice of Failure to Comply with Conditions

Each Party shall give prompt notice to the other Party of the occurrence, or failure to occur, at any time from the date hereof until the earlier of the termination of this Agreement and the Effective Date of any event or state of facts which occurrence or failure would, or would be likely to (a) cause any of the representations or warranties of such Party contained herein to be untrue or inaccurate in any material respect, or (b) result in the failure to comply with or satisfy any covenant, condition or agreement to be

complied with or satisfied by any Party hereunder; provided, however, that no such notification shall affect the representations or warranties of the Parties or the conditions to the obligations of the Parties hereunder.

2.11 Merger of Conditions

The conditions set out in Sections 2.7, 2.8 and 2.9 shall be conclusively deemed to have been satisfied on the filing with the Registrar of the articles of arrangement required to give effect to the Arrangement.

2.12 Shareholder Communications

Paramount and Trilogy agree to co-operate and participate in presentations to investors regarding the Arrangement prior to the making of such presentations and to promptly advise, consult and co-operate with each other in issuing any press releases or otherwise making public statements with respect to this Agreement or the Arrangement and in making any filing with any Governmental Entity or with the TSX, with respect thereto. Each Party shall use all reasonable commercial efforts to enable the other Party to review and comment on all such press releases prior to the release thereof and shall enable the other Party to review and comment on such filings prior to the filing thereof; provided, however, that the foregoing shall be subject to each Party's overriding obligation to make disclosure in accordance with applicable laws, and if such disclosure is required and the other Party has not reviewed or commented on the disclosure, the Party making such disclosure shall use reasonable commercial efforts to give prior oral or written notice to the other Party, and if such prior notice is not possible, to give such notice immediately following the making of such disclosure or filing. The Parties agree to issue jointly a press release with respect to this Agreement as soon as practicable.

2.13 Paramount Board of Directors

Paramount agrees that it shall use all commercially reasonable efforts to appoint or have elected as directors of the board of directors of Paramount, subject to applicable laws and the constating documents and by-laws of Paramount, effective upon the completion of the Arrangement, such individuals from the board of directors of Trilogy as may be specified by Trilogy after the date hereof, which action may involve including the election of such additional directors as an item of business at the Paramount Meeting.

2.14 U.S. Securities Law Matters

The Parties intend that the Arrangement shall be carried out such that the issuance of the Paramount Shares under the Arrangement qualifies in the United States for the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof and applicable state securities laws in reliance upon similar exemptions thereunder. Each Party agrees to act in good faith, consistent with the intent of the Parties and the intended treatment of the Arrangement as set forth in this Section 2.14.

2.15 Covenants of the Parties Regarding Pre-Arrangement Reorganizations

- (a) Each Party (the "**Reorganizing Party**") shall, and shall cause each of its Subsidiaries to, cooperate with the other Party in structuring, planning and implementing any reorganization of the business, operations, assets and Subsidiaries of the Reorganizing Party (each, a "**Pre-Arrangement Reorganization**") in order to improve the tax efficiencies of the business, operations, assets and Subsidiaries of Paramount following completion of the Arrangement, and the Reorganizing Party shall be permitted to take all necessary or desirable steps to effect any Pre-Arrangement Reorganization, provided that: (i) the Reorganizing Party shall not undertake any Pre-Arrangement Reorganization without the written consent of the other Party (not to be unreasonably withheld, conditioned or delayed) and (ii) any Pre-Arrangement Reorganization does not materially

delay the completion of the Arrangement. Each of the Parties acknowledges and agrees that the planning for and implementation of any Pre-Arrangement Reorganization consented to by each Party shall not be considered a breach of any covenant under this Agreement and shall not be considered in determining whether a representation or warranty of a Party hereunder has been breached. The Parties shall work cooperatively and use reasonable best efforts to plan any Pre-Arrangement Reorganization consented to by each Party and to prepare prior to the Effective Time all documentation necessary and do such other acts and things as are necessary to give effect to such Pre-Arrangement Reorganization.

- (b) Notwithstanding Section 2.15(a), Trilogy shall not be required to effect a Pre-Arrangement Reorganization unless it has received an appropriate indemnity from Paramount indemnifying it for all costs, expenses and losses which it may suffer solely as a result of such Pre-Arrangement Reorganization if after completing any Pre-Arrangement Reorganization the Arrangement is not completed other than (i) due to a breach by Trilogy of the terms and conditions of this Agreement or (ii) in the case where a Party terminates this Agreement pursuant to Section 6.2 and Paramount is entitled to expense reimbursement under subsection 7.1(b) as a result of such termination.

2.16 Trilogy Options

In accordance with the Trilogy Stock Option Plan, the board of directors of Trilogy, pursuant to a resolution provided to Paramount prior to the date hereof, has authorized the amendment of the Trilogy Options immediately following the Effective Time so that following the Effective Time the Trilogy Options entitle the Trilogy Optionholders to purchase Paramount Shares rather than Trilogy Common Shares at an adjusted exercise price, based on the exchange ratio for the Trilogy Common Shares under the Arrangement, all in accordance with the terms of the Trilogy Option Plan and subsection 7(1.4) of the Tax Act. At or prior to the Effective Time, the Parties shall enter into the Trilogy Option Support Agreement. Following the Effective Time, Paramount shall issue Paramount Shares upon exercise by the Trilogy Optionholders of the amended Trilogy Options pursuant to the terms of the amended Trilogy Options and the Trilogy Option Support Agreement.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 General Representations and Warranties

Each Party represents and warrants to the other Party that:

- (a) it is a corporation duly incorporated or amalgamated and validly subsisting under the laws of the Province of Alberta and has full capacity and authority to enter into this Agreement and to perform its covenants and obligations hereunder;
- (b) this Agreement has been duly executed and delivered by it and constitutes a legal, valid and binding obligation enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to general principles of equity;
- (c) neither the execution and delivery of this Agreement nor the performance of any of its covenants and obligations hereunder will constitute a default under, or be in any contravention or breach of:
 - (i) any provision of its constating documents;

- (ii) any judgement, decree, order, law, statute, rule or regulation applicable to it, subject to receiving the Competition Act Approval; or
 - (iii) (provided that the requisite consents are obtained under such Party's credit agreements with its principal lenders) any agreement or instrument to which it is a Party or by which it is bound;
- (d) no dissolution, winding up, bankruptcy, liquidation or similar proceedings in respect of it have been commenced or are pending or proposed;
- (e) no consent, approval, order or authorization of, or declaration or filing with any Governmental Entity is required to be obtained by that Party in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby other than:
 - (i) any approvals required by the Interim Order;
 - (ii) the Final Order;
 - (iii) Competition Act Approval; and
 - (iv) filings which may be required by the ABCA and filings with and approvals required by the Securities Authorities and the TSX;
- (f) other than pursuant to such Party's credit agreement with its principal lenders, no consent, approval or authorization is required under any contract, agreement, licence, franchise or permit to which that Party is bound or is subject in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, where failure to obtain such consent, approval or authorization would, individually or in the aggregate, have a Material Adverse Effect on that Party; and
- (g) there is no claim, action, proceeding or investigation, pending or, to the knowledge of the Party, threatened against or relating to that Party or affecting any of its properties or assets before any Governmental Entity, that, if adversely determined, would materially impede the completion of the Arrangement and the Party is not subject to any outstanding order, writ, injunction or decree that would materially impede the completion of the Arrangement.

3.2 Additional Representations and Warranties of Paramount

Paramount represents and warrants to Trilogy that:

- (a) Paramount owns 12,755,845 Trilogy Common Shares and 6,388,490 Trilogy Non-Voting Shares and no Subsidiary of Paramount owns any Trilogy Common Shares or Trilogy Non-Voting Shares;
- (b) the authorized share capital of Paramount consists of an unlimited number of Paramount Shares and an unlimited number of preferred shares, issuable in series, of which as of the date hereof 106,200,395 Paramount Shares and no other shares are issued and outstanding;
- (c) as of the date hereof 3,810,580 Paramount Shares are issuable pursuant to the exercise of outstanding Paramount Options and the outstanding Paramount Options have those exercise prices, vesting schedules and expiry dates as previously disclosed in writing to Trilogy;

- (d) the Paramount Continuous Disclosure, taken together, does not, and any continuous disclosure documents filed on SEDAR by Paramount after the date hereof will not, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein not misleading in light of the circumstances in which they were made;
- (e) Paramount is a reporting issuer under the securities laws in force in the each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland, and Paramount is not currently in default, in any material respect, of any requirement of the applicable securities laws of such jurisdictions and Paramount is not included on any list of defaulting reporting issuers maintained by any Securities Authority in any such jurisdiction;
- (f) no Securities Authority has issued any order that is currently outstanding preventing or suspending trading in any securities of Paramount and no such proceeding is, to the knowledge of Paramount, pending, contemplated or threatened;
- (g) the Paramount Shares are listed on the TSX and Paramount is in compliance, in all material respects, with the policies and requirements of the TSX;
- (h) except for the Paramount Options outstanding as of the date hereof, there are no options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Paramount of any shares or other securities of Paramount nor are there any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares or other securities of Paramount;
- (i) neither Paramount nor, to its knowledge, any of the Paramount Shareholders is a party to any pooling agreement, voting trust or other similar type of arrangement in respect of the outstanding securities of Paramount;
- (j) the data and information provided by Paramount to Trilogy or its representatives in connection with the transactions contemplated hereby (including the Apache Canada Acquisition) does not, to the knowledge of Paramount, contain any material misrepresentation or omission, and Paramount has not withheld from Trilogy any material information, agreement or documents concerning Paramount or its assets, liabilities (actual, contingent, inchoate or otherwise), obligations, commitments or operations during Trilogy's review of Paramount for the purposes of the transactions contemplated hereby (including the Apache Canada Acquisition);
- (k) the corporate records and minute books of Paramount have been maintained in accordance with all applicable statutory requirements and are complete and accurate, in each case in all material respects;
- (l) Paramount has complied, and is in compliance with, all applicable laws and regulations relating to its assets, business and operations, in each case in all material respects;
- (m) since December 31, 2016, there has not been any Material Adverse Change in respect of Paramount;
- (n) except for the Independent Valuator and the fees payable to it pursuant to the Independent Valuator Agreement and except for Peters & Co. Limited and the fees payable to it pursuant to an engagement agreement with Paramount, each of which agreements has been provided to Trilogy, Paramount has not retained nor will it retain

any financial advisor, valuator, broker, agent or finder, and it has not paid or agreed to pay and is not required to pay, any financial advisor, valuator, broker, agent or finder in respect of this Agreement or the transactions contemplated hereby;

- (o) except as disclosed in the Paramount Continuous Disclosure or as disclosed in writing to Trilogy prior to the date hereof (i) there are no actions, suits or regulatory or other proceedings, whether on behalf of or against Paramount, pending or, to the knowledge of Paramount, threatened against or affecting Paramount at law or in equity and (ii) Paramount has not received notice of, and does not have knowledge of, any potential dispute or claim against Paramount or its assets from any person or Governmental Entity including, without limitation, any aboriginal or first nations group other than, in each case, those that would not have, or would not reasonably be expected to have, a Material Adverse Effect on Paramount and its Subsidiaries, taken as a whole;
- (p) the Paramount Financial Statements fairly present, and any financial statements of Paramount filed on SEDAR after the date hereof will fairly present, in accordance with GAAP, consistently applied, the financial position and condition of Paramount at the dates thereof and the results of operations of Paramount for the periods then ended and reflect in accordance with GAAP, consistently applied, all material assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Paramount as at the dates thereof;
- (q) Paramount made available to McDaniel, prior to the issuance of each of the Paramount Reserves Report and the Paramount Interim Reserves Report, for the purpose of preparing such reports, all information requested by McDaniel, which information did not contain any misrepresentation at the time such information was provided. Except with respect to changes in commodity prices and royalties, the effect of actual production of oil, natural gas and other petroleum substances on reserves estimates, Paramount has no knowledge of any Material Adverse Change in any production, cost, reserves or other relevant information provided to McDaniel since the dates that such information was so provided. Paramount believes that the Paramount Reserves Report and the Paramount Interim Reserves Report each reasonably estimated the quantity and net present values of future net revenues, on an aggregate basis, of the oil and natural gas reserves attributed to the crude oil, natural gas liquids and natural gas properties evaluated as at December 31, 2016, in the case of the Paramount Reserves Report and as at June 1, 2017, in the case of the Paramount Interim Reserves Report, based upon information available at the time the applicable report was prepared and the pricing and other assumptions set out therein;
- (r) Paramount made available to McDaniel, prior to the issuance of the Apache Canada Reserves Report, for the purpose of preparing such report, information provided or made available to it by Apache Corporation and its affiliates which was requested by McDaniel, which information, to the knowledge of Paramount, did not contain any misrepresentation at the time such information was provided. Except with respect to changes in commodity prices and royalties, the effect of actual production of oil, natural gas and other petroleum substances on reserves estimates, Paramount has no knowledge, based on the information provided or made available to it by Apache Corporation and its affiliates, of any Material Adverse Change in any production, cost, reserves or other relevant information provided to McDaniel since the dates that such information was so provided. Paramount believes that the Apache Canada Reserves Report reasonably estimated the quantity and net present values of future net revenues, on an aggregate basis, of the oil and natural gas reserves attributed to the crude oil, natural gas liquids and natural gas properties evaluated in the Apache Canada Reserves Report as at June 1, 2017, based upon information of Apache Corporation and its affiliates available at the time such report was prepared and the pricing and other assumptions set out therein;

- (s) Paramount is not indebted to and has not guaranteed the obligations of any Shareholder, employee, consultant or any other person not dealing at arm's length with Paramount, nor are any such individuals indebted to Paramount;
- (t) Paramount has no material liabilities (actual, contingent, inchoate or otherwise), debts, obligations or commitments other than those reflected in the Paramount Continuous Disclosure, those disclosed in writing to Trilogy prior to the date hereof and those expressly agreed to or contemplated herein;
- (u) Paramount does not warrant title to its oil and gas properties and assets, but does warrant that its interests in its oil and gas properties and assets are free and clear of all liens, encumbrances, claims, rights, and defects and imperfections of title, created by, through or under Paramount except (i) those arising under or permitted by its credit agreement, a copy of which has been provided to Trilogy, (ii) those that do not materially interfere with the use made and proposed to be made of such properties and assets by Paramount, (iii) those that are typically considered "permitted encumbrances" in transactions involving the purchase and sale of oil and gas assets in Alberta; (v) those that could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Paramount and its Subsidiaries, taken as a whole; and (iv) those set forth in the land and well schedules or other documents disclosed in writing to Trilogy or its advisors prior to the date hereof;
- (v) except as disclosed in writing to Trilogy prior to the date hereof, neither Paramount nor any of its Subsidiaries has received from any third party notice of material violation of or material default under any obligation, agreement, document, order, writ, injunction or decree of any Government Entity that relates to the business or assets of Paramount and its Subsidiaries and remains outstanding in any material respect as at the date hereof;
- (w) except as disclosed in writing to Trilogy prior to the date hereof, neither Paramount nor any of its Subsidiaries has received:
 - (i) any notice, order or directive under Environmental Laws pertaining to the business or assets of Paramount and its Subsidiaries and which requires any work, repairs, construction or capital expenditures which is outstanding as of the date hereof, where those orders or directives have not been complied with in all material respects;
 - (ii) any demand or notice issued with respect to the material breach of Environmental Laws from any third party pertaining to the business or assets of Paramount and its Subsidiaries that relates to the environment, health or safety, including any matter respecting the release, use, storage, treatment, transportation or disposition of environmental contaminants which demand or notice remains outstanding as of the date hereof; and
 - (iii) any notice under any Alberta Energy Regulator directives to abandon any well which has not been properly abandoned in accordance with Environmental Laws (as at the applicable time when such well was abandoned);
- (x) to Paramount's knowledge, there are not any existing circumstances or any outstanding incidents respecting environmental matters relating to the business or assets of Paramount and its Subsidiaries (A) which constitute a reportable event under Environmental Laws, (B) which have not been reported in accordance with Environmental Laws (as at the applicable time), and (C) which would reasonably be expected to have a Material Adverse Effect on Paramount and its Subsidiaries, taken as a whole.

- (y) to the knowledge of Paramount, it holds or has all licenses, permits and approvals required under Environmental Laws in connection with the ownership and operation of its properties, and all such licenses, permits and approvals are in full force and effect and in good standing, except where the failure to hold, or invalidity of, such licence, permit or approval would not have a Material Adverse Effect on Paramount and its Subsidiaries, taken as a whole;
- (z) all operations in respect of the business and assets of Paramount and its Subsidiaries conducted by Paramount or any of its Subsidiaries have been conducted in all material respects in accordance with good oilfield industry practices in effect at the relevant time, and all licences, permits and approvals and the requirements of Governmental Entities have been materially complied with by Paramount or its Subsidiaries in respect of such operations;
- (aa) provided that the Arrangement is completed on the terms set forth herein, the Paramount Shares to be issued pursuant to the Arrangement will, upon issuance, be validly issued as fully paid and non-assessable shares in the capital of Paramount;
- (bb) each of Paramount and Acquireco have executed and delivered the Apache Canada Acquisition Agreement and the Apache Canada Acquisition Agreement constitutes a legal, valid and binding obligation enforceable against each of Paramount and Acquireco in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and to general principles of equity;
- (cc) the representations and warranties of each of Paramount and Acquireco in the Apache Canada Acquisition Agreement, a true copy of which has been provided to Trilogy, are true and correct except as would not have a Material Adverse Effect on Paramount and its Subsidiaries, taken as a whole;
- (dd) Paramount has no reason to believe that the representations and warranties of the parties to the Apache Canada Acquisition Agreement other than Paramount and Acquireco are not true and correct or that any such party is in breach of any of its covenants in the Apache Canada Acquisition Agreement, except, in either case, if the Apache Canada Acquisition is completed, such as would not have a Material Adverse Effect on Paramount and its Subsidiaries, taken as a whole;
- (ee) to the knowledge of Paramount, no event has occurred or condition exists which is reasonably likely to prevent the Apache Canada Acquisition from being completed prior to the Completion Deadline; and
- (ff) the Paramount Information will contain no untrue statement of a material fact and will not omit to state a material fact that is required to be stated or that is necessary to make the statements not misleading in light of the circumstances in which they were made.

3.3 Additional Representations and Warranties of Trilogy

Trilogy represents and warrants to Paramount that:

- (a) Neither Trilogy nor any Subsidiary of Trilogy owns any Paramount Shares;
- (b) Other than Trilogy Resources Ltd., Trilogy Energy, Pan Alberta Gas Ltd. and Northwest Pacific Energy Marketing Inc., Trilogy does not have any Subsidiaries and Trilogy is not a holding corporation of any other body corporate;

- (c) the authorized share capital of Trilogy consists of an unlimited number of Trilogy Common Shares and an unlimited number of Trilogy Non-Voting Shares, of which as of the date hereof 105,304,190 Trilogy Common Shares and 20,835,862 Trilogy Non-Voting Shares are issued and outstanding;
- (d) as of the date hereof 6,175,040 Trilogy Common Shares are issuable pursuant to the exercise of outstanding Trilogy Options and the outstanding Trilogy Options have those exercise prices, vesting schedules and expiry dates as previously disclosed in writing to Paramount;
- (e) as of the date hereof, there are 6,740 unallocated Trilogy Common Shares held by the trustee under the Trilogy Share Incentive Plan;
- (f) except for the Trilogy Options outstanding as of the date hereof, there are no options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Trilogy of any shares or other securities of Trilogy nor are there any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares or other securities of Trilogy;
- (g) Trilogy is a reporting issuer under the securities laws in force in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland, Northwest Territories, Yukon and Nunavut, and Trilogy is not currently in default, in any material respect, of any requirement of the applicable securities laws of such jurisdictions and Trilogy is not included on any list of defaulting reporting issuers maintained by any Securities Authority in any such jurisdiction;
- (h) no Securities Authority has issued any order that is currently outstanding preventing or suspending trading in any securities of Trilogy and no such proceeding is, to the knowledge of Trilogy, pending, contemplated or threatened;
- (i) the Trilogy Common Shares are listed on the TSX and Trilogy is in compliance, in all material respects, with the policies and requirements of the TSX;
- (j) all outstanding Trilogy Shares have been duly authorized and validly issued, are fully paid and non-assessable and all Trilogy Common Shares issuable upon exercise of outstanding Trilogy Options in accordance with their respective terms have been duly authorized and will, upon receipt by Trilogy of the consideration therefor, as applicable, and if issued, be validly issued as fully paid and non-assessable common shares in the capital of Trilogy;
- (k) neither Trilogy nor, to its knowledge, any of the Trilogy Shareholders is a party to any pooling agreement, voting trust or other similar type of arrangement in respect of the outstanding securities of Trilogy;
- (l) the Trilogy Continuous Disclosure, taken together, does not, and any continuous disclosure documents filed on SEDAR by Trilogy after the date hereof will not, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein not misleading in light of the circumstances in which they were made;
- (m) the data and information provided by Trilogy to Paramount or its representatives in connection with the transactions contemplated hereby does not, to the knowledge of Trilogy, contain any material misrepresentation or omission, and Trilogy has not withheld from Paramount any material information, agreement or documents concerning Trilogy or

its assets, liabilities (actual, contingent, inchoate or otherwise), obligations, commitments or operations during Paramount's review of Trilogy for the purposes of the transactions contemplated hereby;

- (n) the corporate records and minute books of Trilogy have been maintained in accordance with all applicable statutory requirements and are complete and accurate, in each case in all material respects;
- (o) Trilogy has complied, and is in compliance with, all applicable laws and regulations relating to its assets, business and operations, in each case in all material respects;
- (p) since December 31, 2016, there has not been any Material Adverse Change in respect of Trilogy;
- (q) except for the Independent Valuator and the fees payable to it pursuant to the Independent Valuator Agreement and except for Raymond James Ltd. and the fees payable to it pursuant to an engagement agreement with Trilogy, each of which agreements has been provided to Paramount, Trilogy has not retained nor will it retain any financial advisor, valuator, broker, agent or finder, and it has not paid or agreed to pay and is not required to pay, any financial advisor, valuator, broker, agent or finder in respect of this Agreement or the transactions contemplated hereby;
- (r) except as disclosed in the Trilogy Continuous Disclosure or as disclosed in writing to Paramount prior to the date hereof (i) there are no actions, suits or regulatory or other proceedings, whether on behalf of or against Trilogy, pending or, to the knowledge of Trilogy, threatened against or affecting Trilogy at law or in equity and (ii) Trilogy has not received notice of, and does not have knowledge of, any potential dispute or claim against Trilogy or its assets from any person or Governmental Entity including, without limitation, any aboriginal or first nations group other than, in each case, those that would not have, or would not reasonably be expected to have, a Material Adverse Effect on Trilogy and its Subsidiaries taken, as a whole;
- (s) the Trilogy Financial Statements fairly present, and any financial statements of Trilogy filed on SEDAR after the date hereof will fairly present, in accordance with GAAP, consistently applied, the financial position and condition of Trilogy at the dates thereof and the results of operations of Trilogy for the periods then ended and reflect in accordance with GAAP, consistently applied, all material assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Trilogy as at the dates thereof;
- (t) Trilogy made available to McDaniel, prior to the issuance of each of the Trilogy Reserves Report and the Trilogy Interim Reserves Report, for the purpose of preparing such reports, all information requested by McDaniel, which information did not contain any misrepresentation at the time such information was provided. Except with respect to changes in commodity prices and royalties, the effect of actual production of oil, natural gas and other petroleum substances on reserves estimates, Trilogy has no knowledge of any Material Adverse Change in any production, cost, reserves or other relevant information provided to McDaniel since the dates that such information was so provided. Trilogy believes that the Trilogy Reserves Report and the Trilogy Interim Reserves Report each reasonably estimated the quantity and net present values of future net revenues, on an aggregate basis, of the oil and natural gas reserves attributed to the crude oil, natural gas liquids and natural gas properties evaluated as at December 31, 2016, in the case of the Trilogy Reserves Report and as at June 1, 2017, in the case of the Trilogy Interim Reserves Report, based upon information available at the time the applicable report was prepared and the pricing and other assumptions set out therein;

- (u) Trilogy is not indebted to and has not guaranteed the obligations of any Shareholder, Employee or any other person not dealing at arm's length with Trilogy, nor are any such individuals indebted to Trilogy;
- (v) Trilogy has disclosed in writing to Paramount prior to the date hereof the name, age, salary and tenure of employment with Trilogy of each Employee and all standard forms of employment contract used with such Employees;
- (w) There will be no Employee Obligations as a result of the Arrangement and the directors' fees payable to members of the Trilogy Independent Committee are as disclosed in writing to Paramount prior to the date hereof;
- (x) Trilogy has no material liabilities (actual, contingent, inchoate or otherwise), debts, obligations or commitments other than those reflected in the Trilogy Continuous Disclosure, those disclosed in writing to Paramount prior to the date hereof and those expressly agreed to or contemplated herein;
- (y) Trilogy does not warrant title to its oil and gas properties and assets, but does warrant that its interests in its oil and gas properties and assets are free and clear of all liens, encumbrances, claims, rights, and defects and imperfections of title, created by, through or under Trilogy except (i) those arising under or permitted by its credit agreement, a copy of which has been provided to Paramount, (ii) those that do not materially interfere with the use made and proposed to be made of such properties and assets by Trilogy, (iii) those that are typically considered "permitted encumbrances" in transactions involving the purchase and sale of oil and gas assets in Alberta; (v) those that could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on Trilogy and its Subsidiaries, taken as a whole; and (iv) those set forth in the land and well schedules or other documents disclosed in writing to Paramount or its advisors prior to the date hereof;
- (z) except as disclosed in writing to Paramount prior to the date hereof, neither Trilogy nor any of its Subsidiaries has received from any third party notice of material violation of or material default under any obligation, agreement, document, order, writ, injunction or decree of any Government Entity that relates to the business or assets of Trilogy and its Subsidiaries and remains outstanding in any material respect as at the date hereof;
- (aa) except as disclosed in writing to Paramount prior to the date hereof, neither Trilogy nor any of its Subsidiaries has received:
 - (i) any notice, order or directive under Environmental Laws pertaining to the business or assets of Trilogy and its Subsidiaries and which requires any work, repairs, construction or capital expenditures which is outstanding as of the date hereof, where those orders or directives have not been complied with in all material respects;
 - (ii) any demand or notice issued with respect to the material breach of Environmental Laws from any third party pertaining to the business or assets of Trilogy and its Subsidiaries that relates to the environment, health or safety, including any matter respecting the release, use, storage, treatment, transportation or disposition of environmental contaminants which demand or notice remains outstanding as of the date hereof; and
 - (iii) any notice under any Alberta Energy Regulator directives to abandon any well which has not been properly abandoned in accordance with Environmental Laws (as at the applicable time when such well was abandoned);

- (bb) to Trilogy's knowledge, there are not any existing circumstances or any outstanding incidents respecting environmental matters relating to the business or assets of Trilogy and its Subsidiaries (A) which constitute a reportable event under Environmental Laws, (B) which have not been reported in accordance with Environmental Laws (as at the applicable time), and (C) which would reasonably be expected to have a Material Adverse Effect on Trilogy and its Subsidiaries, taken as a whole.
- (cc) to the knowledge of Trilogy, it holds or has all licenses, permits and approvals required under Environmental Laws in connection with the ownership and operation of its properties, and all such licenses, permits and approvals are in full force and effect and in good standing, except where the failure to hold, or invalidity of, such licence, permit or approval would not have a Material Adverse Effect on Trilogy and its Subsidiaries, taken as a whole;
- (dd) all operations in respect of the business and assets of Trilogy and its Subsidiaries conducted by Trilogy or any of its Subsidiaries have been conducted in all material respects in accordance with good oilfield industry practices and all Environmental Laws in effect at the relevant time, and all licences, permits and approvals and the requirements of Governmental Entities have been materially complied with by Trilogy or its Subsidiaries in respect of such operations; and
- (ee) the Trilogy Information will contain no untrue statement of a material fact and will not omit to state a material fact that is required to be stated or that is necessary to make the statements not misleading in light of the circumstances in which they were made.

3.4 Knowledge

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge (i) with respect to Paramount, it refers to the actual knowledge of each of Paramount's President and Chief Executive Officer, Chief Financial Officer and General Counsel, Corporate Secretary and Manager, Land and (ii) with respect to Trilogy it refers to the actual knowledge of each of Trilogy's Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer and General Counsel and Corporate Secretary, in each case after reasonable inquiry.

3.5 Survival of Representations and Warranties

The representations and warranties contained in this Agreement shall survive the execution and delivery of this Agreement and shall expire and be terminated and extinguished at the Effective Time.

ARTICLE 4 COVENANTS

4.1 Mutual Covenants

Each of the Parties covenants and agrees that, except as contemplated in this Agreement or the Arrangement, during the period from the date of this Agreement until the earlier of the Effective Date and the time that this Agreement is terminated in accordance with its terms:

- (a) it shall use all reasonable commercial efforts to satisfy (or cause the satisfaction of) the conditions precedent to its obligations hereunder as set forth in Article 2 to the extent the same is within its control and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under all applicable laws to complete the Arrangement, including using its reasonable commercial efforts to promptly: (i) obtain all necessary waivers, consents and approvals required to be obtained by it from parties to loan agreements, leases and other contracts; (ii) obtain all

necessary exemptions, consents, approvals and authorizations as are required to be obtained by it under all applicable laws; (iii) effect all necessary registrations and filings and submissions of information requested by Governmental Entities required to be effected by it in connection with the Arrangement and participate and appear in any proceedings of either Party before Governmental Entities; (iv) oppose, lift or rescind any injunction or restraining order or other order or action seeking to stop, or otherwise adversely affecting the ability of the Parties to consummate, the Arrangement; (v) fulfill all conditions and satisfy all provisions of this Agreement and the Arrangement; and (vi) co-operate with the other Party in connection with the performance by it of their obligations hereunder;

- (b) it shall exercise reasonable commercial efforts to seek and obtain the Competition Act Approval. As promptly as practicable, Paramount shall submit to the Commissioner a request seeking an ARC or, in the event that the Commissioner will not issue an ARC, a waiver in accordance with subsection 113(c) of the Competition Act of the obligation to provide pre-merger notifications pursuant to Part IX of the Competition Act and a No Action Letter. Each Party shall cooperate fully with the other Party, including by way of furnishing such information as may be reasonably requested by a Party, in connection with the preparation and submission of all requests, applications, notices, filings, submissions, correspondence and communications of any substantive nature as may be or become necessary or desirable in connection with the Competition Act Approval, recognizing that certain competitively sensitive information shall be provided to the Parties' external counsel only (which includes, where required, counsel to each of the Paramount Independent Committee and the Trilogy Independent Committee) and in accordance with the Confidentiality Agreement and any other subsequent written agreement that addresses confidentiality between the Parties and Paramount and Trilogy shall each pay 50% of the applicable filing fee in respect of the Competition Act Approval.
- (c) notwithstanding Section 4.1(a), it shall not enter into any agreement or arrangement with a Governmental Entity or consent to any order issued pursuant to the Competition Act in relation to the Arrangement without the consent of the other Party;
- (d) except for non-substantive communications with securityholders, and subject to its obligations under Section 2.12 and Section 4.1(b), it shall furnish promptly to the other Party or its counsel (which includes, where required, counsel to each of the Paramount Independent Committee and the Trilogy Independent Committee), a copy of each notice, report, schedule or other document delivered, filed or received by it in connection with: (i) the Arrangement; (ii) any filings under applicable laws in connection with the transactions contemplated hereby; (iii) the Meetings; and (iv) any dealings with Governmental Entities in connection with the transactions contemplated hereby;
- (e) it shall promptly notify the other Party in writing of any material change (actual, anticipated, contemplated or, to the knowledge of such Party, threatened, financial or otherwise) in its business, operations, affairs, assets, capitalization, financial condition, prospects, licenses, permits, rights, privileges or liabilities, whether contractual or otherwise, or of any Governmental Entity or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated), or of any change in any representation or warranty provided by such Party in this Agreement which change is or may be of such a nature to render any representation or warranty misleading or untrue in any material respect, and it shall in good faith discuss with the other Party any change in circumstances (actual, anticipated, contemplated, or to the knowledge of such Party, threatened) which is of such a nature that there may be a reasonable question as to whether notice need to be given to the other Party pursuant to this provision;

- (f) it shall advise the other Party as reasonably requested, and on a daily basis on each of the last seven business days prior to their respective shareholder meetings called to consider the Arrangement contemplated hereby, as to the aggregate tally of the proxies and votes received in respect of such meeting and all matters to be considered at such meeting;
- (g) it shall allow the other Party's representatives to attend the meeting of its shareholders to be held in respect of the Arrangement;
- (h) except as required for quorum purposes, no Party will postpone or cancel (or propose the adjournment, postponement or cancellation of) its meeting of shareholders without the other Party's prior written consent except as required by applicable laws and if any Party shall be required to postpone the its meeting of shareholders, it shall use its commercially reasonable efforts to reschedule such meeting as soon as reasonably possible;
- (i) it shall use commercially reasonable efforts to solicit from the its shareholders proxies in favour of the Arrangement Resolution or the Paramount Merger Resolution, as applicable, and to take all other action that is reasonably necessary or desirable to secure the approval of the Arrangement, unless and until the board of directors of such Party has changed its recommendation to vote in favour of the Arrangement in accordance with the terms of this Agreement; and
- (j) it shall do and perform all such other acts and things, and execute and deliver all such agreements, assurances, notices and other documents and instruments, as may reasonably be required to facilitate the carrying out of the intent and purpose of this Agreement.

4.2 Covenants of Trilogy

(a) *Arrangement Implementation*

Trilogy covenants to Paramount that from the date hereof until the earlier of the Effective Date or the date of termination of this Agreement, it will:

- (i) in accordance with the terms of and the procedures contained in the Interim Order, call, give notice of, convene and hold the Trilogy Meeting as promptly as practicable, and in any event not later than September 29, 2017 (subject to any adjournments or postponements required or permitted by this Agreement), to vote upon the Arrangement Resolution pursuant to the Arrangement and any other matters as may be properly brought before such meeting;
- (ii) subject to the board of directors of Trilogy withdrawing, modifying, qualifying or changing its recommendation in Section 2.4(a)(iii) in accordance with this Agreement, solicit proxies of Trilogy Shareholders in favour of the Arrangement Resolution;
- (iii) permit Paramount and its counsel to review and comment on drafts of all material to be filed by Trilogy with the Court in connection with the Arrangement and provide counsel to Paramount on a timely basis with copies of any notice of appearance and evidence served on Trilogy or its counsel with respect to the application for the Final Order or any appeal therefrom and of any notice (written or oral) received by Trilogy indicating any intention to oppose the granting of the Final Order or to appeal the Final Order; and

- (iv) give Paramount prompt notice of any written notice of dissent, withdrawal of such notice, and any other instruments received by Trilogy pursuant to the Dissent Rights.

(b) *Conduct of Business by Trilogy*

Trilogy covenants and agrees that, during the period from the date of this Agreement until this Agreement is terminated by its terms, unless Paramount shall otherwise agree in writing, except as required by law or as otherwise expressly permitted or specifically contemplated by this Agreement:

- (i) the business of Trilogy shall, in all material respects, be conducted only in, and Trilogy shall not take any action except in, the usual and ordinary course of business, consistent with past practice and Trilogy's 2017 capital budget and in accordance with good oilfield practices, and Trilogy shall use commercially reasonable efforts to maintain and preserve its business organization, assets and advantageous business relationships consistent with their current condition and past practices, and subject to this subsection 4.2(b), shall not make any change in the business, assets, liabilities, operations, capital or affairs of Trilogy;
- (ii) except in furtherance of the transactions contemplated in this Agreement or as expressly permitted by this Agreement, Trilogy shall not directly or indirectly do or permit to occur any of the following:
 - (A) amend or supplement any of the Trilogy articles or bylaws;
 - (B) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of Trilogy Shares or any other shares or securities of Trilogy;
 - (C) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any shares of Trilogy, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares of Trilogy or any equivalent or similar economic rights, other than Trilogy Common Shares issuable pursuant to the terms of the Trilogy Options outstanding on the date hereof or the grant of Trilogy Options to new employees in the usual and ordinary course of business and consistent with past practice;
 - (D) redeem, purchase or otherwise acquire any of its outstanding shares or other securities;
 - (E) amend or modify the terms of any of its shares or the Trilogy Options or Trilogy Share Rights (except as permitted under the Trilogy Option Plan or the Trilogy Share Incentive Plan, respectively, in connection with black-out periods imposed by Trilogy) or the plans in respect thereof;
 - (F) split, combine or reclassify any of its shares;
 - (G) adopt a plan of liquidation or resolutions providing for the winding-up, liquidation, dissolution, merger, consolidation or reorganization of Trilogy; or

- (H) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing, except as permitted above;
- (iii) without limiting the generality of subsection 4.2(b)(i), Trilogy shall not, without prior consultation with and the express written consent of Paramount, directly or indirectly do any of the following other than pursuant to commitments entered into prior to the date of this Agreement as disclosed in the Trilogy Continuous Disclosure or as previously disclosed in writing to Paramount:
- (A) sell, pledge, dispose of or encumber any of its assets or rights that are individually or in the aggregate material;
 - (B) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets or otherwise) any corporation, partnership or other business organization or division thereof or any property or asset, or make any investment either by the purchase of securities, contributions of capital, property transfer or purchase of any property or asset or enter into or extend any option to acquire, or exercise an option to acquire, any property or assets of any other person;
 - (C) other than in the usual and ordinary course of business and consistent with past practice or in accordance with Trilogy's 2017 capital budget, incur any indebtedness, issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for, the obligations of any other individual or entity, or make any loans or advances;
 - (D) incur or assume any liabilities or obligations except in the ordinary course of business;
 - (E) except where necessary to preserve an asset or prevent threats to human safety in an emergency and after notice thereof to Paramount, expend or commit to expend any amounts with respect to operating or other similar expenses except in the ordinary course of business;
 - (F) pay, discharge or satisfy any claims, liabilities or obligations that are individually or in the aggregate material other than (1) fees payable to legal, financial, valuation and other advisors in respect of the Arrangement, and (2) the payment, discharge or satisfaction in the ordinary course of business consistent with past practice of liabilities reflected or reserved against in the Trilogy Financial Statements or incurred in the ordinary course of business consistent with past practice;
 - (G) enter into or amend any contract, or waive or release any rights or obligations under a contract, other than in the ordinary course of business consistent with past practice or as contemplated by this Agreement;
 - (H) waive, release, grant or transfer any rights or modify or change in any respect any existing material licence, lease, permit, production sharing agreement, government land concession or other document, other than in the ordinary course of business consistent with past practice;

- (I) enter into any interest rate swaps, currency swaps or any other rate fixing agreement for a financial transaction or enter into any call arrangement of any sort or any forward sale agreement for commodities, other than in the usual and ordinary course of business and consistent with past practice;
- (J) enter into a new line of business; or
- (K) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing, except as permitted above,

provided that any such expenditure or transaction permitted above shall not exceed \$6.25 million individually or \$25 million in the aggregate without the prior written approval of Paramount.

- (c) Trilogy shall use its reasonable commercial efforts to cause the current insurance (or reinsurance) policies of Trilogy not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;
- (d) Trilogy shall maintain the books of account and other records, whether of a financial or accounting nature or otherwise and including, for greater certainty, the minute books, in accordance with prudent business practices;
- (e) Trilogy shall not take any action that would render, or that reasonably may be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect (or, if qualified by materiality, in any respect); and
- (f) Trilogy shall:
 - (i) provide Paramount with the opportunity to review and comment on tax returns required to be filed by Trilogy on or after the date hereof pursuant to the Tax Act and following such review and comment by Paramount, Trilogy shall duly and on a timely basis file all such tax returns pursuant to the Tax Act in a manner consistent with past practice, unless otherwise authorized in writing by Paramount, and all such tax returns will be true, complete and correct;
 - (ii) fully and timely pay all taxes shown on such tax returns;
 - (iii) not make or rescind any express or deemed election relating to taxes, or file any amended tax returns, where the result of such action is inconsistent with past practice or the Tax Act;
 - (iv) not make a request for a tax ruling or enter into a closing agreement with any Governmental Entity;
 - (v) not settle any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to taxes; and
 - (vi) properly reserve (and reflect such reserves in its books and records and financial statements, including the Trilogy Financial Statements) for all taxes accruing in

respect of Trilogy which are not due or payable prior to the Effective Date in a manner consistent with past practice and in accordance with the provisions of the Tax Act.

4.3 Provision of Information; Access

Other than in respect of the provision of information relating to the activities of Trilogy permitted pursuant to Section 4.6 which is governed by that section, from and after the date hereof until the Effective Time or termination of this Agreement, Trilogy shall, subject to all applicable laws, provide Paramount and its representatives reasonable access, during normal business hours, to its premises, books, contracts, records, properties and Employees and shall furnish to Paramount all information concerning its business, properties, assets, finances and personnel as Paramount may reasonably request, which information shall remain subject to the Confidentiality Agreement, in order to permit Paramount to be in a position to expeditiously and efficiently integrate the business and operations of Trilogy with Paramount immediately upon but not prior to the Effective Date.

4.4 Covenants of Paramount

(a) Merger Implementation

Paramount covenants to Trilogy that from the date hereof until the earlier of the Effective Date or the date of termination of this Agreement, it will:

- (i) call, give notice of, convene and hold the Paramount Meeting as promptly as practicable, and in any event not later than September 29, 2017 (subject to any adjournments or postponements required or permitted by this Agreement), to vote upon the Paramount Merger Resolution and any other matters as may be properly brought before such meeting;
- (ii) subject to the board of directors of Paramount withdrawing, modifying, qualifying or changing its recommendation in Section 2.5(a)(iii) in accordance with this Agreement, solicit proxies of Paramount Shareholders in favour of the Paramount Merger Resolution;
- (iii) apply for and use all reasonable efforts to obtain the listing on the TSX, as of the Effective Date, of the Paramount Shares to be issued pursuant to the Arrangement; and
- (iv) cooperate in obtaining the Interim Order and the Final Order.

(b) Issuance of Paramount Shares

Subject to the terms and conditions of this Agreement, Paramount will issue Paramount Shares, in accordance with the terms of the Plan of Arrangement, to those Trilogy Shareholders who are entitled to receive Paramount Shares pursuant to the Arrangement.

(c) *Conduct of Business*

Paramount covenants and agrees that, during the period from the date of this Agreement until this Agreement is terminated by its terms, unless Trilogy shall otherwise agree in writing, except as required by law or as otherwise expressly permitted or specifically contemplated by this Agreement:

- (i) the business of Paramount shall, in all material respects, be conducted only in, and Paramount shall not take any action except in, the usual and ordinary course of business, consistent with past practice and Paramount's 2017 capital budget and in accordance with good oilfield practices, and Paramount shall use commercially reasonable efforts to maintain and preserve its business organization, assets and advantageous business relationships consistent with their current condition and past practices, and subject to this subsection 4.4(c), shall not make any change in the business, assets, liabilities, operations, capital or affairs of Paramount;
- (ii) except in furtherance of the transactions contemplated in this Agreement or as expressly permitted by this Agreement or the Apache Canada Acquisition Agreement, Paramount shall not directly or indirectly do or permit to occur any of the following:
 - (A) amend or supplement any of the Paramount articles or bylaws;
 - (B) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property) in respect of Paramount Shares or any other shares or securities of Paramount;
 - (C) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any shares of Paramount, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, shares of Paramount or any equivalent or similar economic rights, other than Paramount Shares issuable pursuant to the terms of the Paramount Options outstanding on the date hereof or the grant of Paramount Options to new employees in the usual and ordinary course of business and consistent with past practice;
 - (D) redeem, purchase or otherwise acquire any of its outstanding shares or other securities;
 - (E) amend or modify the terms of any of its shares or the Paramount Options (except as permitted under the Paramount Option Plan in connection with black-out periods imposed by Paramount) or the plan in respect thereof;
 - (F) split, combine or reclassify any of its shares;
 - (G) adopt a plan of liquidation or resolutions providing for the winding-up, liquidation, dissolution, merger, consolidation or reorganization of Paramount; or
 - (H) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing, except as permitted above;

- (iii) without limiting the generality of subsection 4.4(c)(i), Paramount shall not, without prior consultation with and the express written consent of Trilogy, directly or indirectly do any of the following other than pursuant to commitments entered into prior to the date of this Agreement as disclosed in the Paramount Continuous Disclosure or as previously disclosed in writing to Trilogy or as contemplated by the Apache Canada Acquisition Agreement:
- (A) sell, pledge, dispose of or encumber any of its assets or rights that are individually or in the aggregate material;
 - (B) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets or otherwise) any corporation, partnership or other business organization or division thereof or any property or asset, or make any investment either by the purchase of securities, contributions of capital, property transfer or purchase of any property or asset or enter into or extend any option to acquire, or exercise an option to acquire, any property or assets of any other person;
 - (C) other than in the usual and ordinary course of business and consistent with past practice or in accordance with Paramount's 2017 capital budget, incur any indebtedness, issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for, the obligations of any other individual or entity, or make any loans or advances;
 - (D) incur or assume any liabilities or obligations except in the ordinary course of business;
 - (E) except where necessary to preserve an asset or prevent threats to human safety in an emergency and after notice thereof to Trilogy, expend or commit to expend any amounts with respect to operating or other similar expenses except in the ordinary course of business;
 - (F) pay, discharge or satisfy any claims, liabilities or obligations that are individually or in the aggregate material other than (1) fees payable to legal, financial, valuation and other advisors in respect of the Arrangement, and (2) the payment, discharge or satisfaction in the ordinary course of business consistent with past practice of liabilities reflected or reserved against in the Paramount Financial Statements or incurred in the ordinary course of business consistent with past practice;
 - (G) enter into or amend any contract, or waive or release any rights or obligations under a contract, other than in the ordinary course of business consistent with past practice or as contemplated by this Agreement;
 - (H) waive, release, grant or transfer any rights or modify or change in any respect any existing material licence, lease, permit, production sharing agreement, government land concession or other document, other than in the ordinary course of business consistent with past practice;
 - (I) enter into a new line of business; or

- (J) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing, except as permitted above,

provided that any such expenditure or transaction permitted above shall not exceed \$25 million individually or \$100 million in the aggregate without the prior written approval of Trilogy.

- (iv) Paramount shall use its reasonable commercial efforts to cause the current insurance (or reinsurance) policies of Paramount not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect;
- (v) Paramount shall maintain the books of account and other records, whether of a financial or accounting nature or otherwise and including, for greater certainty, the minute books, in accordance with prudent business practices;
- (vi) Paramount shall not take any action that would render, or that reasonably may be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect (or, if qualified by materiality, in any respect); and
- (vii) Paramount shall:
 - (A) duly and on a timely basis file all tax returns required to be filed by it on or after the date hereof pursuant to the Tax Act in a manner consistent with past practice and all such tax returns will be true, complete and correct;
 - (B) fully and timely pay all taxes shown on such tax returns;
 - (C) not make or rescind any express or deemed election relating to taxes, or file any amended tax returns, where the result of such action is inconsistent with past practice or the Tax Act;
 - (D) not make a request for a tax ruling or enter into a closing agreement with any Governmental Entity;
 - (E) not settle any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to taxes; and
 - (F) properly reserve (and reflect such reserves in its books and records and financial statements, including the Paramount Financial Statements) for all taxes accruing in respect of Paramount which are not due or payable prior to the Effective Date in a manner consistent with past practice and in accordance with the provisions of the Tax Act.

4.5 Directors' and Officers' Insurance; Other Indemnities

Paramount agrees that, for a period of six years after the Effective Date, Paramount will cause or permit Trilogy or any successor to Trilogy (including any successor resulting from the winding up or liquidation or

dissolution of Trilogy) to acquire or maintain Trilogy's current directors' and officers' insurance policy or an equivalent policy on a six year "trailing" or "run-off" basis subject in either case to terms and conditions no less advantageous to the directors and officers of Trilogy than those contained in the policy in effect on the date hereof, for all present and former directors and officers of Trilogy, covering claims made prior to or within six years after the Effective Date. Paramount shall, and shall cause Trilogy or any successor to Trilogy to, indemnify the directors and officers of Trilogy to the fullest extent to which Trilogy and Paramount, as the case may be, are permitted to indemnify such directors and officers under their respective articles, by-laws and contracts of indemnity.

4.6 Privacy Issues

- (a) For the purposes of this Section 4.6, the following definitions shall apply:
 - (i) **"applicable law"** means, in relation to any person, transaction or event, all applicable provisions of laws by which such person is bound or having application to the transaction or event in question, including applicable privacy laws.
 - (ii) **"applicable privacy laws"** means any and all applicable laws relating to privacy and the collection, use and disclosure of personal Information in all applicable jurisdictions, including but not limited to the *Personal Information Protection and Electronic Documents Act* (Canada) and/or any comparable provincial law including the *Personal Information Protection Act* (Alberta).
 - (iii) **"authorized authority"** means, in relation to any person, transaction or event, any (a) federal, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign, (b) agency, authority, commission, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, (c) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, and (d) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such person, transaction or event.
 - (iv) **"Personal Information"** means information about an identifiable individual, but does not include business contact information when collected, used or disclosed for the purposes of contacting an individual in that individual's capacity as an employee or an official of an organization and for no other purpose.
- (b) The Parties hereto acknowledge that they are responsible for compliance at all times with applicable privacy laws which govern the collection, use and disclosure of Personal Information acquired by or disclosed to either Party pursuant to or in connection with this Agreement (the **"Disclosed Personal Information"**).
- (c) Neither Party shall use the Disclosed Personal Information for any purposes other than those related to the performance of this Agreement and the completion of the Arrangement.
- (d) Each Party acknowledges and confirms that the disclosure of Personal Information is necessary for the purposes of determining if the Parties shall proceed with the Arrangement, and that the disclosure of Personal Information relates solely to the carrying on of the business and the completion of the Arrangement.

- (e) Each Party acknowledges and confirms that it has and shall continue to employ appropriate procedures in accordance with applicable law to prevent accidental loss or corruption of the Disclosed Personal Information, unauthorized input or access to the Disclosed Personal Information, or unauthorized or unlawful collection, storage, disclosure, recording, copying, alteration, removal, deletion, use or other processing of such Disclosed Personal Information.
- (f) Each Party shall at all times keep strictly confidential all Disclosed Personal Information provided to it, and shall instruct those employees or advisors responsible for processing such Disclosed Personal Information to protect the confidentiality of such information in a manner consistent with the Parties' obligations hereunder. Each Party shall ensure that access to the Disclosed Personal Information shall be restricted to those employees or advisors of the respective Party who have a bona fide need to access such information in order to complete the Arrangement.
- (g) Each Party shall promptly notify the other Party to this Agreement of all inquiries, complaints, requests for access, and claims of which the Party is made aware in connection with the Disclosed Personal Information. The Parties shall fully co-operate with one another, with the persons to whom the Personal Information relates, and any authorized authority charged with enforcement of applicable privacy laws, in responding to such inquiries, complaints, requests for access, and claims.
- (h) Upon the expiry or termination of this Agreement, or otherwise upon the reasonable request of either Party, the counterparty shall forthwith cease all use of the Personal Information acquired by the counterparty in connection with this Agreement and will return to the Party or, at the Party's request, destroy in a secure manner, the Disclosed Personal Information (and any copies).

ARTICLE 5 ADDITIONAL AGREEMENTS

5.1 Mutual Covenant Regarding Non-Solicitation

- (a) Neither Party shall, directly or indirectly, do or authorize or permit any of its representatives to do, any of the following:
 - (i) solicit, knowingly facilitate, initiate or encourage any Acquisition Proposal in respect of such Party; or
 - (ii) subject to Section 5.1(b), accept, recommend, approve or enter into an agreement to implement an Acquisition Proposal.
- (b) Notwithstanding Section 5.1(a) or any other provision hereof, each Party and its officers, directors and advisers may, prior to the approval of the Paramount Merger Resolution at the Paramount Meeting in respect of Paramount or the Arrangement Resolution at the Trilogy Meeting in respect of Trilogy:
 - (i) enter into or participate in any discussions or negotiations with a third party who after the date of this Agreement and without any solicitation, initiation or encouragement, directly or indirectly, by such Party or any of its representatives, seeks to initiate such discussions or negotiations and may furnish to such third party information concerning such Party and its business, properties and assets, with respect to an Acquisition Proposal, provided that prior to furnishing such information to or entering into or participating in any such discussions or negotiations with such third party, the Party shall (1) provide prompt notice to the

other Party to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such third party, and, if not previously provided to such other Party, copies of all information provided to such third party concurrently with the provision of such information to such third party, (2) notify the other Party orally and in writing of any inquiries, offers or proposals with respect to an actual or contemplated Superior Proposal (which written notice shall include a copy of any such proposal (and any amendments or supplements thereto), the identity of the Person making it, if not previously provided to the other Party and copies of all information provided to the third party), within 24 hours of the receipt thereof, and (3) keep the other Party informed of the status and details of any such inquiry, offer or proposal and answer the other Party's reasonable questions with respect thereto;

- (ii) comply with National Instrument 62-104 —*Take-Over Bids and Issuer Bids* and similar provisions under applicable securities laws relating to the provision of directors' circulars and make appropriate disclosure with respect thereto to its securityholders; and
- (iii) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation, (1) the board of directors of the Party subject to the Superior Proposal concludes in good faith, after considering all proposals to adjust the terms and conditions of this Agreement and after receiving the advice of outside counsel as reflected in minutes of the board of directors of such Party, that the taking of such action is necessary for such board of directors to act in a manner consistent with its fiduciary duties under applicable laws and (2) such Party terminates this Agreement in accordance with Section 6.2, and concurrently therewith pays the amount required by Section 7.1 to the other Party.

ARTICLE 6 AMENDMENT AND TERMINATION

6.1 Amendment

- (a) This Agreement, including the Plan of Arrangement, may at any time and from time to time before or after the holding of either of the Meetings, but not later than the Effective time, be amended by written agreement of the Parties without, subject to the Interim Order, the Final Order and applicable laws, further notice to or authorization on the part of the Paramount Shareholders or the Trilogy Shareholders and any such amendment may, without limitation:
 - (i) change the time for performance of any of the obligations or acts of the Parties;
 - (ii) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
 - (iii) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; or
 - (iv) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment reduces or materially adversely affects the consideration to be paid by Paramount or received by Trilogy Shareholders, as

applicable, without approval by the affected Paramount Shareholders or Trilogy Shareholders, as applicable, given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court. This Agreement including the Plan of Arrangement may also be amended in accordance with the Final Order but if the terms of the Final Order require any such amendment, the rights of the Parties under Sections 2.7, 2.8, 2.9 and 6.2 shall remain unaffected.

6.2 Termination

This Agreement may be terminated at any time prior to the Effective Date:

- (a) by the mutual written consent of each of the Parties hereto;
- (b) by Paramount if any of the conditions in Section 2.7 or Section 2.8 has not been satisfied or waived in accordance with those sections by the Completion Deadline or such condition is incapable of being satisfied by the Completion Deadline, and provided that Paramount is then not in breach of this Agreement so as to cause any of the conditions set forth in Section 2.7 not to be satisfied;
- (c) by Trilogy if any of the conditions in Section 2.7 or Section 2.9 has not been satisfied or waived in accordance with those sections by the Completion Deadline or such condition is incapable of being satisfied by the Completion Deadline, and provided that Trilogy is then not in breach of this Agreement so as to cause any of the conditions set forth in Section 2.7 not to be satisfied;
- (d) by Paramount if Trilogy's board of directors shall have made a change in, or withdrawal of, the Trilogy Recommendation;
- (e) by Trilogy if Paramount's board of directors shall have made a change in, or withdrawal of, the Paramount Recommendation;
- (f) by either Paramount or Trilogy if the Trilogy Meeting shall have been held and completed and the requisite Trilogy Shareholder approval pursuant to the Interim Order shall not have been obtained;
- (g) by either Paramount or Trilogy if the Paramount Meeting shall have been held and completed and the requisite Paramount Shareholder approval in respect of the Paramount Merger Resolution shall have not been obtained;
- (h) by either Paramount or Trilogy if the Arrangement shall not have been completed by the Completion Deadline, provided that a Party shall not be entitled to terminate this Agreement pursuant to this subsection 6.2(h) if the non-completion is primarily due to the acts or omissions of such Party or the breach of such Party's covenants herein; and
- (i) by either Paramount or Trilogy in order to accept, recommend, approve or enter into an agreement to implement a Superior Proposal in accordance with subsection 5.1(b)(iii), provided that such Party (i) has complied with its obligations set forth in Section 5.1 and (ii) reimburses the other Party for its expenses in accordance with subsection 7.1(b) or 7.1(c), as applicable,

provided that any termination by a Party hereto in accordance with paragraphs (b) to (i) above shall be made by such Party delivering written notice thereof to the other Party hereto prior to the Effective Date and specifying therein in reasonable detail the matter or matters giving rise to such termination right and provided that such notice in respect of any termination in accordance with paragraphs (b) or (c) shall provide that the non-terminating Party shall be entitled to cure any breach of a covenant or representation

and warranty or other matters within five business days after receipt of such notice (except that no cure period shall be provided for a breach or other matter which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Completion Deadline). In the event of any such termination, subject to the obligations of such Party to reimburse the other Party's expenses under subsection 7.1(b) or 7.1(c), as applicable, each Party hereto shall be deemed to have released, remised and forever discharged the other Party hereto in respect of any and all claims arising in respect of this Agreement, except as otherwise provided herein. Notwithstanding the foregoing, nothing contained in this Section 6.2 shall relieve any Party from liability for any breach of any provision of this Agreement or preclude any Party from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement or the Confidentiality Agreement or otherwise to obtain specific performance of any of such act, covenants or agreements, without the necessity of posting bond or security in connection therewith.

ARTICLE 7 GENERAL

7.1 Expenses

- (a) Subject to the expense reimbursement required by subsections 7.1(b) and 7.1(c) hereof, the Parties hereto agree that all out-of-pocket expenses incurred in connection with this Agreement and the transactions contemplated hereby, the Trilogy Meeting or the Paramount Meeting, as applicable, and the preparation and mailing of the Information Circular, including legal and accounting fees, printing costs, financial advisor fees and all disbursements by advisors, shall be paid by the Party hereto incurring such expense and that nothing in this Agreement shall be construed so as to prevent the payment of such expenses. The provisions of this Section 7.1 shall survive the termination of this Agreement.
- (b) In the event that:
 - (i) this Agreement is terminated by Paramount pursuant to subsection 6.2(b) hereof because one or more conditions in favour of Paramount in subsections 2.8(a), 2.8(b) or 2.8(c) hereof were not satisfied;
 - (ii) this Agreement is terminated by Paramount pursuant to (A) subsection 6.2(d) hereof or (B) subsection 6.2(h) hereof (other than due to the failure to obtain the requisite shareholder approvals required for the Arrangement Resolution or the Paramount Merger Resolution);
 - (iii) this Agreement is terminated by either Paramount or Trilogy pursuant to subsection 6.2(f) hereof where, prior to the Trilogy Meeting, an Acquisition Proposal had been made to Trilogy and made known to Trilogy Shareholders generally or had been made directly to Trilogy Shareholders or any person shall have publicly announced an intention to make an Acquisition Proposal in respect of Trilogy, the board of directors of Trilogy fails to recommend unequivocally against acceptance of such Acquisition Proposal as soon as practicable and in any event prior to the Trilogy Meeting and such announced intention shall not have been publicly withdrawn prior to the Trilogy Meeting and, thereafter, the Trilogy Shareholders do not approve the Arrangement Resolution at the Trilogy Meeting; or
 - (iv) this Agreement is terminated by Trilogy pursuant to subsection 6.2(i) hereof,then Trilogy shall reimburse Paramount for all reasonable out-of-pocket expenses incurred by Paramount in connection with this Agreement and the Arrangement. Such

reimbursement shall be made promptly upon receipt by Trilogy of an invoice or invoices from Paramount for the amounts to be reimbursed.

(c) In the event that:

- (i) this Agreement is terminated by Trilogy pursuant to subsection 6.2(c) hereof because one or more conditions in favour of Trilogy in Section 2.9 hereof were not satisfied;
- (ii) this Agreement is terminated by Trilogy pursuant to (A) subsection 6.2(e) or (B) subsection 6.2(h) hereof (other than due to the failure to obtain the requisite shareholder approvals required for the Arrangement Resolution or the Paramount Merger Resolution);
- (iii) this Agreement is terminated by either Paramount or Trilogy pursuant to subsection 6.2(g) hereof where, prior to the Paramount Meeting, an Acquisition Proposal had been made to Paramount and made known to Paramount Shareholders generally or had been made directly to Paramount Shareholders or any person shall have publicly announced an intention to make an Acquisition Proposal in respect of Paramount, the board of directors of Paramount fails to recommend unequivocally against acceptance of such Acquisition Proposal as soon as practicable and in any event prior to the Paramount Meeting and such announced intention shall not have been publicly withdrawn prior to the Paramount Meeting and, thereafter, the Paramount Shareholders do not approve the Paramount Merger Resolution at the Paramount Meeting; or
- (iv) this Agreement is terminated by Paramount pursuant to subsection 6.2(i) hereof,

then Paramount shall reimburse Trilogy for all reasonable out-of-pocket expenses incurred by Trilogy in connection with this Agreement and the Arrangement. Such reimbursement shall be made promptly upon receipt by Paramount of an invoice or invoices from Trilogy for the amounts to be reimbursed.

7.2 Binding Effect

This Agreement shall be binding upon and enure to the benefit of the Parties hereto and their respective successors.

7.3 Assignment

No Party may assign its rights or obligations under this Agreement.

7.4 Waiver

No waiver or release by any Party shall be effective unless in writing signed by the Party granting the same.

7.5 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall be treated in all respects as an Alberta contract.

7.6 Notices

Any notice, consent, waiver, direction or other communication required or permitted to be given under this Agreement by a Party hereto shall be in writing and shall be delivered by hand or by electronic mail to the Party hereto to which the notice is to be given to the following addresses or to such other addresses as shall be specified by a Party hereto by like notice. Any notice, consent, waiver, direction or other communication aforesaid shall, if delivered, be deemed to have been given and received on the date on which it was hand delivered to the address provided herein (if a business day or, if not, then the next succeeding business day) and if sent by electronic mail be deemed to have been given and received at the time of receipt (if a business day or, if not, then the next succeeding business day) unless actually received after 5:00 p.m. (Calgary time) at the point of delivery in which case it shall be deemed to have been given and received on the next business day.

The addresses for service of each of the parties hereto shall be as follows:

(a) if to Paramount:

Paramount Resources Ltd.
Suite 4700, 888 3rd Street S.W.
Calgary, Alberta
T2P 5C5

Attention: Bernard Lee
E-mail: bernie.lee@paramountres.com

(b) if to Trilogy:

Trilogy Energy Corp.
1400, 332 6th Avenue SW
Calgary, Alberta
T2P 0B2

Attention: Michael Kohut
E-mail: michael.kohut@trilogyenergy.com

7.7 Execution in Counterparts

This Agreement may be executed in one or more counterparts, each of which shall conclusively be deemed to be an original and all such counterparts collectively shall be conclusively deemed to be one and the same. Delivery of an executed counterpart of the signature page to this Agreement by electronic mail or facsimile shall be effective as delivery of a manually executed counterpart of this Agreement, and any Party delivering an executed counterpart of the signature page to this Agreement by electronic mail or facsimile to any other Party shall thereafter also promptly deliver a manually executed original counterpart of this Agreement to such other Party, but the failure to deliver such manually executed original counterpart shall not affect the validity, enforceability or binding effect of this Agreement.

7.8 Time of the Essence

Time shall be of the essence in this Agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

PARAMOUNT RESOURCES LTD.

Per: (signed) "*James Bell*"

TRILOGY ENERGY CORP.

Per: (signed) "*Keith MacLeod*"

SCHEDULE I

PLAN OF ARRANGEMENT UNDER SECTION 193 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA)

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, the following terms have the following meanings:

"ABCA" means the *Business Corporations Act* (Alberta);

"Arrangement" means the arrangement under the provisions of Section 193 of the ABCA on the terms and conditions set forth in this Plan of Arrangement;

"Court" means the Court of Queen's Bench of Alberta;

"Depository" means Computershare Trust Company of Canada;

"Dissent Rights" means the rights of dissent described in Article 3 of this Plan of Arrangement;

"Dissent Shares" means the Trilogy Common Shares in respect of which rights of dissent are exercised as provided in section 3.1 and in respect of which the holders thereof are ultimately entitled to be paid fair value;

"Dissenting Shareholder" means any registered Trilogy Common Shareholder who has duly and validly exercised its Dissent Rights in respect of the holder's Trilogy Common Shares and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights;

"Effective Date" means the date the Arrangement is effective under the ABCA;

"Effective Time" means the time at which the articles of arrangement to give effect to the Arrangement are filed with the Registrar on the Effective Date;

"Interim Order" means the interim order of the Court under subsection 193(4) of the ABCA relating to the Arrangement;

"Letter of Transmittal" means the letter of transmittal sent by Trilogy to the Trilogy Shareholders to be used by the Trilogy Shareholders to surrender the certificates representing their Trilogy Shares to receive certificates for the Paramount Shares issued to them pursuant to the Arrangement;

"Paramount" means Paramount Resources Ltd., a corporation incorporated under the ABCA;

"Paramount Shares" means the Class A Common Shares in the capital of Paramount;

"Registrar" means the Registrar appointed under section 263 of the ABCA;

"Tax Act" means the *Income Tax Act* (Canada) and the regulations thereunder;

"Trilogy" means Trilogy Energy Corp., a corporation incorporated under the ABCA;

"Trilogy Common Shareholders" means the holders of Trilogy Common Shares;

"Trilogy Common Shares" means the common shares in the capital of Trilogy;

"Trilogy Non-Voting Shares" means the non-voting shares in the capital of Trilogy;

"Trilogy Shareholders" means the holders of Trilogy Shares; and

"Trilogy Shares" means, collectively, the Trilogy Common Shares and the Trilogy Non-Voting Shares.

1.2 Sections and Headings

The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. Unless reference is specifically made to some other document or instrument, all references herein to articles, sections and subsections are to articles, sections and subsections of this Plan of Arrangement.

1.3 Number, Gender and Persons

Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities.

1.4 Currency

All references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada.

ARTICLE 2 THE ARRANGEMENT

2.1 Arrangement

At the Effective Time, each of the events set out below shall occur and be deemed to occur in the following order without any further act or formality:

- (a) all of the issued and outstanding Trilogy Shares (other than (i) Trilogy Shares beneficially owned by and registered in the name of Paramount and (ii) the Dissent Shares) shall be transferred to Paramount (free of any claims) and Paramount shall issue to each Trilogy Shareholder whose Trilogy Shares have been so transferred one Paramount Share for every 3.75 Trilogy Shares so transferred, subject to section 2.2; and
- (b) the Dissent Shares held by Dissenting Shareholders shall be transferred to Paramount (free of any claims) and such Dissenting Shareholders shall cease to have rights as Trilogy Shareholders, other than the right to be paid by Paramount the fair value of their Trilogy Common Shares in accordance with the Dissent Rights.

2.2 Fractional Shares

Notwithstanding anything contained herein, no fractional Paramount Shares will be issued. Where the aggregate number of Paramount Shares to be issued to a former Trilogy Shareholder would result in a fraction of a Paramount Share being issued, such Trilogy Shareholder shall receive, in lieu of such fractional share, the nearest whole number of Paramount Shares, as applicable. For greater certainty where such fractional interest is greater than or equal to 0.5, the number of Paramount Shares to be

issued will be rounded up to the nearest whole number and where such fractional interest is less than 0.5, the number of Paramount Shares to be issued will be rounded down to the nearest whole number.

2.3 Tax Election

A former Trilogy Shareholder who exchanges Trilogy Shares for Paramount Shares pursuant to this Plan of Arrangement shall be entitled to make an income tax election with Paramount, pursuant to subsection 85(1) or 85(2) of the Tax Act, as applicable (and the analogous provisions of provincial income tax law) by providing two signed copies of the necessary election forms to Paramount within 90 days following the Effective Date, duly completed with the details of the number of Trilogy Shares transferred and the applicable agreed amounts for the purposes of such elections. Thereafter, subject to the election forms complying with the provisions of the Tax Act (or applicable provincial income tax law), the forms will be signed by Paramount and returned to such former Trilogy Shareholders within 90 days after the receipt thereof by Paramount for filing with the Canada Revenue Agency (or the applicable provincial taxing authority). Paramount will not be responsible for the proper completion of any election form and, except for the obligation of Paramount to so sign and return duly completed election forms which are received by Paramount within 90 days of the Effective Date, Paramount will not be responsible for any taxes, interest or penalties resulting from the failure by a Trilogy Shareholder to properly complete or file the election forms in the form and manner and within the time prescribed by the Tax Act (and any applicable provincial legislation). In its sole discretion, Paramount may choose to sign and return an election form received by it more than 90 days following the Effective Date but has no obligation to do so.

2.4 Registration

As soon as practicable after the Effective Time, the names of Trilogy Shareholders who held Trilogy Shares at the Effective Time (other than Paramount) shall be removed from the register of Trilogy Shares maintained by or on behalf of Trilogy and Paramount's name shall be recorded as the sole holder of the outstanding Trilogy Shares.

ARTICLE 3 DISSENT RIGHTS

3.1 Dissent Rights

Registered Trilogy Common Shareholders may exercise rights of dissent with respect to the Trilogy Common Shares held by such registered Trilogy Common Shareholders in connection with the Arrangement pursuant to the procedure set forth in Section 191 of the ABCA, as modified by the Interim Order, provided that registered Trilogy Common Shareholders who exercise such rights of dissent and who:

- (a) are ultimately entitled to be paid fair value for their Trilogy Common Shares shall be deemed not to have participated in the transactions in subsection 2.1(a) and shall be paid an amount equal to such fair value by Paramount and will not be entitled to any other payment or consideration, and such Trilogy Common Shareholders shall be deemed to have transferred their respective Trilogy Common Shares to Paramount at the Effective Time; or
- (b) are ultimately not entitled, for any reason, to be paid fair value for their Trilogy Common Shares shall be deemed to have participated in the Arrangement, as of the Effective Time, on the same basis as a non-dissenting holder of Trilogy Common Shares and shall be entitled to receive only the consideration contemplated in Article 2 hereof that such Trilogy Common Shareholders would have received pursuant to the Arrangement if such Trilogy Common Shareholders had not exercised Dissent Rights,

and further provided that in no case shall Trilogy or Paramount be required to recognize Trilogy Common Shareholders who exercise Dissent Rights as Trilogy Common Shareholders after the Effective Time and the names of such Trilogy Common Shareholders shall be removed from Trilogy's register of shareholders as at the Effective Date.

3.2 Paramountcy

Notwithstanding section 191 of the ABCA, Paramount, and not Trilogy, shall be required to pay the amount described in subsection 191(3) of the ABCA (as modified by the Interim Order) to a registered Trilogy Common Shareholder who duly and validly exercises Dissent Rights and is ultimately entitled to be paid fair value for the Trilogy Common Shareholder's Dissent Shares.

ARTICLE 4 SHARE CERTIFICATES AND PAYMENT

4.1 Rights of Holders

After the Effective Time, each certificate that immediately prior to the Effective Time represented one or more Trilogy Shares to which subsection 2.1(a) applies shall be deemed at all times to represent only the right to receive certificates representing the Paramount Shares which the former holder of such Trilogy Shares is entitled to receive pursuant to Article 2 subject to compliance with the requirement set forth in this Article 4.

4.2 Transmittal

The Depositary shall deliver the consideration in respect of those Trilogy Shares held on a book-entry basis in accordance with normal industry practice for payments relating to securities held on a book-entry only basis. In respect of those Trilogy Shares not held on a book-entry basis, upon surrender to the Depositary, as specified in the Letter of Transmittal, for cancellation of a certificate that immediately before the Effective Time represented one or more outstanding Trilogy Shares that were transferred to Paramount in accordance with subsection 2.1(a) hereof, together with a completed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, the holder of such surrendered certificate shall be entitled to receive a certificate representing the Paramount Shares which such holder is entitled to receive pursuant to section 2.1. The Depositary shall register the Paramount Shares in such name, and shall deliver by first class mail, postage prepaid, or in the case of postal disruption by such other means as the Depositary deems prudent, such share certificates, to such address as such holder may direct in the Letter of Transmittal, as soon as practicable after the receipt by the Depositary of such documents.

4.3 Lost Certificates

In the event any certificate that immediately prior to the Effective Time represented one or more outstanding Trilogy Shares that were transferred to Paramount in accordance with subsection 2.1(a) hereof shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder claiming such certificate to be lost, stolen or destroyed, the Depositary shall deliver a certificate representing the Paramount Shares that such holder is entitled to receive in accordance with Article 2 hereof. When authorizing such delivery, the holder to whom a certificate representing such Paramount Shares is to be delivered shall, as a condition precedent to such delivery, give a bond satisfactory to Paramount and the Depositary in such amount as Paramount and the Depositary may direct, or otherwise indemnify Paramount and the Depositary in a manner satisfactory to Paramount and the Depositary, against any claim that may be made against Paramount or the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed.

4.4 Distributions with Respect to Unsurrendered Certificates

No dividend or other distribution declared or made after the Effective Time with respect to Paramount Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate that, immediately prior to the Effective Time, represented outstanding Trilogy Shares unless and until the holder of such certificate shall have complied with the provisions of section 4.2 or section 4.3 hereof. Subject to applicable law, at the time of such compliance, there shall, in addition to the delivery of a certificate representing the Paramount Shares to which such holder is thereby entitled, be delivered to such holder, without interest, the amount of the dividend or other distribution with a record date after the Effective Time theretofore paid with respect to such Paramount Shares.

4.5 Termination of Rights

Any certificate formerly representing Trilogy Shares that are not deposited with all other documents as required by this Plan of Arrangement on or before the fourth anniversary of the Effective Date shall cease to represent a right or a claim of any kind or nature as a shareholder of Paramount. On such date, the Paramount Shares to which the former holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered to Paramount, together with all entitlements to dividends or distributions thereon held for such former registered holder, for no consideration, and such shares and rights shall thereupon be cancelled and the name of the former registered holder shall be removed from the register of holders of such shares.

APPENDIX D
INTERIM ORDER

Court File Number 1701-10401

Clerk's stamp
ORIGINAL STAMPED

Court COURT OF QUEEN'S BENCH OF ALBERTA

Judicial Centre CALGARY

Matter IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*, RSA 2000, c B-9, AS AMENDED

AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING TRILOGY ENERGY CORP. AND ITS SHAREHOLDERS

Applicant **TRILOGY ENERGY CORP.**

Respondent Not Applicable

Document INTERIM ORDER

Address for Service and Contact **NORTON ROSE FULBRIGHT CANADA LLP**
400 – 3rd Avenue SW., Suite 3700
Information of Party Calgary, Alberta T2P 4H2
Filing this Document Solicitor: Steve Leidl

Facsimile: (403) 264-5973
Email: steven.leidl@nortonrosefulbright.com

File Number: 01112385-0089

DATE ON WHICH ORDER WAS PRONOUNCED: August 8, 2017

NAME OF JUDGE WHO MADE THIS ORDER: Justice G.A. Campbell

LOCATION OF HEARING: CALGARY

UPON the Originating Application (the "**Originating Application**") of Trilogy Energy Corp. (the "**Applicant**") pursuant to Section 193 of the *Business Corporations Act* (Alberta) as amended (the "**ABCA**");

AND UPON reading the Originating Application, the affidavit of James H. T. Riddell sworn on August 8, 2017 (the "**Affidavit**") and the documents referred to therein;

AND UPON HEARING counsel for the Applicant;

FOR THE PURPOSES OF THIS ORDER:

- (a) the capitalized terms not defined in this Order (the "**Order**") shall have the meanings attributed to them in the draft joint information circular of the Applicant and Paramount

Resources Ltd. (the "**Information Circular**") which is part of Exhibit "A" to the Affidavit; and

- (b) all references to "Arrangement" used herein mean the arrangement as set forth in the Plan of Arrangement attached as Schedule I to the arrangement agreement (the "**Arrangement Agreement**"), which Arrangement Agreement is attached as Appendix C of the Information Circular.

IT IS HEREBY ORDERED THAT:

General

1. The Applicant shall seek approval of the Arrangement as described in the Information Circular by the holders of common shares and non-voting shares of the Applicant (the "**Trilogy Shareholders**") in the manner set forth below.

The Meeting

2. The Applicant shall call and conduct a special meeting (the "**Meeting**") of Trilogy Shareholders on or about September 8, 2017. At the Meeting, the Trilogy Shareholders will consider and vote upon a resolution to approve the Arrangement substantially in the form attached as Appendix B to the Information Circular (the "**Arrangement Resolution**") and such other business as may properly be brought before the Meeting or any adjournment or postponement thereof, all as more particularly described in the Information Circular.
3. A quorum at the Meeting shall be two Trilogy Shareholders present in person or represented by proxy at the opening of the Meeting holding in the aggregate not less than twenty-five (25%) percent of the outstanding Trilogy Shares entitled to be voted at the Meeting.
4. Each Trilogy Share shall be entitled to be voted at the Meeting and will entitle the holder to one vote at the Meeting in respect of the Arrangement Resolution and any other matters to be considered at the Meeting.
5. The record date for Trilogy Shareholders entitled to receive notice of and vote at the Meeting shall be August 4, 2017 (the "**Record Date**"). Only Trilogy Shareholders whose names have been entered on the register of holders of Trilogy Shares as at the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting provided that, to the extent a Trilogy Shareholder transfers the ownership of any Trilogy Shares after the Record Date and the transferee of those Trilogy Shares establishes ownership of such Trilogy Shares and demands, not later than 10 days before the Meeting, to be included on the list of Trilogy Shareholders

entitled to vote at the Meeting, such transferee will be entitled to vote those Trilogy Shares at the Meeting.

6. The Meeting shall be called, held and conducted in accordance with the applicable provisions of the ABCA, the articles and by-laws of the Applicant in effect at the relevant time, the Information Circular, the rulings and directions of the Chair of the Meeting, this Order and any further Order of this Court. To the extent that there is any inconsistency or discrepancy between this Order and the ABCA or the articles or by-laws of the Applicant, the terms of this Order shall govern.

Conduct of the Meeting

7. The only persons entitled to attend the Meeting shall be Trilogy Shareholders or their authorized proxy holders, the Applicant's directors and officers and its auditors, the Applicant's legal counsel, and such other persons who may be permitted to attend by the Chair of the Meeting.
8. The number of votes required to pass the Arrangement Resolution shall be:
 - (a) not less than two-thirds of the votes cast by Trilogy Shareholders present in person or represented by proxy at the Meeting, voting as a single class; and
 - (b) a simple majority of the votes cast by Trilogy Shareholders present in person or represented by proxy at the Meeting, voting as a single class after excluding the votes cast by those persons whose votes are required to be excluded in accordance with Multilateral Instrument 61-101 — *Protection of Minority Security Holders in Special Transactions*.
9. To be valid, a proxy must be deposited with Computershare Trust Company of Canada, in the manner described in the Information Circular.
10. The accidental omission to give notice of the Meeting or the non-receipt of the notice shall not invalidate any resolution passed or proceedings taken at the Meeting.
11. The Applicant is authorized to adjourn or postpone the Meeting on one or more occasions (whether or not a quorum is present, if applicable) and for such period or periods of time as the Applicant deems advisable, without the necessity of first convening the Meeting or first obtaining any vote of the Trilogy Shareholders in respect of the adjournment or postponement. Notice of such adjournment or postponement may be given by such method as the Applicant determines is appropriate in the circumstances. If the Meeting is adjourned or postponed in accordance with this Order, the references to the Meeting in this Order shall be deemed to be the Meeting as adjourned or postponed, as the context allows.

Amendments to the Arrangement

12. The Applicant is authorized to make such amendments, revisions or supplements to the Arrangement as it may determine necessary or desirable, provided that such amendments, revisions or supplements are made in accordance with and in the manner contemplated by the Arrangement and the Arrangement Agreement. The Arrangement so amended, revised or supplemented shall be deemed to be the Arrangement submitted to the Meeting and the subject of the Arrangement Resolution, without need to return to this Court to amend this Order.

Amendments to Meeting Materials

13. The Applicant is authorized to make such amendments, revisions or supplements ("**Additional Information**") to the Information Circular, the form of proxy ("**Proxy**"), the form of letter of transmittal ("**Letter of Transmittal**"), notice of the Meeting ("**Notice of Meeting**"), and notice of Originating Application ("**Notice of Originating Application**") as it may determine, including to address any comments from the applicable securities regulatory authorities without the need to return to this Court to amend this Order. The Applicant may disclose such Additional Information, including material changes, by the method and in the time most reasonably practicable in the circumstances as determined by the Applicant and without being required to deliver an amendment to the Information Circular to the Trilogy Shareholders, provided that if any comments from the applicable securities regulatory authorities require any amendment to the Information Circular, such amendment to the Information Circular shall be filed under the Applicant's SEDAR profile at www.sedar.com. Without limiting the generality of the foregoing, if any material change or material fact arises between the date of this Order and the date of the Meeting, which change or fact, if known prior to mailing of the Information Circular, would have been disclosed in the Information Circular, then:
 - (a) the Applicant shall advise the Trilogy Shareholders of the material change or material fact by disseminating a news release (a "**News Release**") in accordance with applicable securities laws and the policies of the Toronto Stock Exchange; and
 - (b) provided that the News Release describes the applicable material change or material fact in reasonable detail, the Applicant shall not be required to deliver an amendment to the Information Circular to the Trilogy Shareholders or otherwise give notice to the Trilogy Shareholders of the material change or material fact other than dissemination and filing of the News Release as aforesaid.

Dissent Rights

14. The registered holders of Trilogy Common Shares ("**Registered Shareholders**") are, subject to the provisions of this Order and the Arrangement, accorded the right to dissent under section 191

of the ABCA with respect to the Arrangement Resolution and the right be paid the fair value of their Trilogy Common Shares by the Applicant in respect of which such right to dissent was validly exercised.

15. In order for a Registered Shareholder (a "**Dissenting Shareholder**") to exercise such right to dissent under section 191 of the ABCA:

- (a) the Dissenting Shareholder's written objection to the Arrangement Resolution must be received by the Applicant at Suite 3700, 400 – 3rd Avenue SW, Calgary, Alberta T2P 4H2, Attention: Steven Leidl by 5:00 p.m. on the second business day immediately preceding the date of the Meeting, or the second business day immediately preceding the date of any adjournment or postponement of the Meeting;
- (b) a vote against the Arrangement Resolution, whether in person or by proxy, shall not constitute a written objection to the Arrangement Resolution as required under clause 15(a) herein;
- (c) a Dissenting Shareholder shall not have voted his or her Trilogy Common Shares at the Meeting, either by proxy or in person, in favour of the Arrangement Resolution;
- (d) a Trilogy Common Shareholder may not exercise the right to dissent in respect of only a portion of the Trilogy Common Shareholder's Common Shares, but may dissent only with respect to all of the Trilogy Common Shares held by the Trilogy Common Shareholder; and
- (e) the exercise of such right to dissent must otherwise comply with the requirements of section 191 of the ABCA, as modified and supplemented by this Order and the Arrangement.

16. The fair value of the consideration to which a Dissenting Shareholder is entitled pursuant to the Arrangement shall be determined as of the close of business on the last business day before the day on which the Arrangement Resolution is approved by the Trilogy Shareholders and shall be paid to the Dissenting Shareholders by Paramount as contemplated by the Arrangement and this Order.

17. Dissenting Shareholders who validly exercise their right to dissent, as set out in paragraphs 14 and 15 above, and who:

- (i) are determined to be entitled to be paid the fair value of their Trilogy Common Shares, shall be deemed to have transferred such Trilogy Common Shares as of the effective time of the Arrangement (the "**Effective Time**"), without any further act or formality and free and clear of all liens, claims and encumbrances; or

- (ii) are, for any reason (including, for clarity, any withdrawal by any Dissenting Shareholder of their dissent) determined not to be entitled to be paid the fair value for their Trilogy Common Shares shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting Trilogy Common Shareholder and such Trilogy Common Shares will be deemed to have been exchanged for the consideration under the Arrangement,

but in no event shall the Applicant, Paramount or any other person be required to recognize such Trilogy Common Shareholders as holders of Trilogy Common Shares after the Effective Time, and the names of such Trilogy Common Shareholders shall be removed from the register of Trilogy Shares.

- 18. Subject to further order of this Court, the rights available to Trilogy Common Shareholders under the ABCA and the Arrangement to dissent from the Arrangement Resolution shall constitute full and sufficient dissent rights for the Trilogy Common Shareholders with respect to the Arrangement Resolution.
- 19. Notice to the Trilogy Common Shareholders of their right to dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of the ABCA and the Arrangement, the fair value of the consideration to which a Dissenting Shareholder is entitled pursuant to the Arrangement shall be sufficiently given by including information with respect to this right as set forth in the Information Circular which is to be sent to Trilogy Shareholders in accordance with paragraph 21 of this Order.

Notice

- 20. The Information Circular, substantially in the form included as part of Exhibit "A" to the Affidavit, with such amendments thereto as counsel to the Applicant may determine necessary or desirable (provided such amendments are not inconsistent with the terms of this Order), together with the Notice of the Meeting, the Proxy or a voting instruction form, the Letter of Transmittal, the Notice of Originating Application and this Order, and any other communications or documents determined by the Applicant to be necessary or advisable (collectively, the "**Meeting Materials**"), shall be sent to those Trilogy Shareholders who hold Trilogy Shares, as of the Record Date, the directors of the Applicant, and the auditors of the Applicant, by one or more of the following methods:
 - (a) in the case of registered Trilogy Shareholders, by pre-paid first class or ordinary mail, by courier or by delivery in person, addressed to each such holder at his, her or its address, as shown on the books and records of the Applicant as of the Record Date not later than 21 days prior to the Meeting;

- (b) in the case of non-registered Trilogy Shareholders, by providing sufficient copies of the Meeting Materials to intermediaries, in accordance with National Instrument 54 -101 – *Communication With Beneficial Owners of Securities of a Reporting Issuer*; and
 - (c) in the case of the directors and auditors of the Applicant, by email, pre-paid first class or ordinary mail, by courier or by delivery in person, addressed to the individual directors or firm of auditors, as applicable, not later than 21 days prior to the date of the Meeting.
21. Delivery of the Meeting Materials in the manner directed by this Order shall be deemed to be good and sufficient service upon the Trilogy Shareholders, the directors and auditors of the Applicant of:
- (a) the Originating Application;
 - (b) this Order;
 - (c) the Notice of the Meeting; and
 - (d) the Notice of Originating Application.

Final Application

22. Subject to further order of this Court, and provided that the Trilogy Shareholders have approved the Arrangement in the manner directed by this Court and the directors of the Applicant have not revoked their approval, the Applicant may proceed with an application for a final Order of the Court approving the Arrangement (the "**Final Order**") on September 11, 2017 at 2:30 p.m. (Calgary time) or so soon thereafter as counsel may be heard. Subject to the Final Order and to the issuance of the proof of filing of the articles of arrangement, the Applicant, all Trilogy Shareholders and all other persons affected will be bound by the Arrangement in accordance with its terms.
23. Any Trilogy Shareholder or other interested party (each an "**Interested Party**") desiring to appear and make submissions at the application for the Final Order is required to file with this Court and serve upon the Applicant, on or before 5:00 p.m. (Calgary time) on August 31, 2017, a notice of intention to appear ("**Notice of Intention to Appear**") including the Interested Party's address for service (or alternatively, a facsimile number for service by facsimile or an email address for service by electronic mail), indicating whether such Interested Party intends to support or oppose the application or make submissions at the application, together with a summary of the position such Interested Party intends to advocate before the Court, and any evidence or materials which are to be presented to the Court. Service of this notice on the Applicant shall be effected by service upon the solicitors for the Applicant, Norton Rose Fulbright Canada LLP, 400 – 3rd Avenue SW, Suite 3700, Calgary, Alberta T2P 4H2.

24. In the event that the application for the Final Order is adjourned, only those parties appearing before this Court for the Final Order, and those Interested Parties serving a Notice of Intention to Appear in accordance with paragraph 23 of this Order, shall have notice of the adjourned date.

Leave to Vary Interim Order

25. The Applicant is entitled at any time to seek leave to vary this Order upon such terms and the giving of such notice as this Court may direct.

"The Honourable Madam Justice G.A. Campbell"
Justice of the Court of Queen's Bench of Alberta

APPENDIX E

SECTION 191 OF *THE BUSINESS CORPORATIONS ACT* (ALBERTA)

Shareholder's right to dissent

191(1) Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
 - (b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
 - (b.1) amend its articles under section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in section 15.2(1),
 - (c) amalgamate with another corporation, otherwise than under section 184 or 187,
 - (d) be continued under the laws of another jurisdiction under section 189, or
 - (e) sell, lease or exchange all or substantially all its property under section 190.
- (2) A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.
- (3) In addition to any other right the shareholder may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.
- (4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.
- (5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)
- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
 - (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.
- (6) An application may be made to the Court after the adoption of a resolution referred to in subsection (1) or (2),
- (a) by the corporation, or
 - (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5),

to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.

- (7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.
- (8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder
 - (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or
 - (b) within 10 days after the corporation is served with a copy of the application, if a shareholder is the applicant.
- (9) Every offer made under subsection (7) shall
 - (a) be made on the same terms, and
 - (b) contain or be accompanied with a statement showing how the fair value was determined.
- (10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.
- (11) A dissenting shareholder
 - (a) is not required to give security for costs in respect of an application under subsection (6), and
 - (b) except in special circumstances must not be required to pay the costs of the application or appraisal.
- (12) In connection with an application under subsection (6), the Court may give directions for
 - (a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,
 - (b) the trial of issues and interlocutory matters, including pleadings and questioning under Part 5 of the *Alberta Rules of Court*,
 - (c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,
 - (d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,
 - (e) the appointment and payment of independent appraisers, and the procedures to be followed by them,

- (f) the service of documents, and
 - (g) the burden of proof on the parties.
- (13) On an application under subsection (6), the Court shall make an order
- (a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,
 - (b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,
 - (c) fixing the time within which the corporation must pay that amount to a shareholder, and
 - (d) fixing the time at which a dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.
- (14) On
- (a) the action approved by the resolution from which the shareholder dissents becoming effective,
 - (b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or
 - (c) the pronouncement of an order under subsection (13),
- whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.
- (15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).
- (16) Until one of the events mentioned in subsection (14) occurs,
- (a) the shareholder may withdraw the shareholder's dissent, or
 - (b) the corporation may rescind the resolution,
- and in either event proceedings under this section shall be discontinued.
- (17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.
- (18) If subsection (20) applies, the corporation shall, within 10 days after
- (a) the pronouncement of an order under subsection (13), or
 - (b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares,

notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

- (19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.
- (20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that
 - (a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or
 - (b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

APPENDIX F
PARAMOUNT FAIRNESS OPINION

July 6, 2017

The Special Committee of the Board of Directors
Paramount Resources Ltd.
Suite 4700, 888 – 3rd Street S.W.
Calgary AB T2P 5C5

Dear Sirs:

Subject: Fairness Opinion in Connection with the Proposed Merger with Trilogy Energy Corp.

Introduction

Deloitte LLP ("Deloitte") understands that Paramount Resources Ltd. ("Paramount" or the "Company") and Trilogy Energy Corp. ("Trilogy") entered into an agreement to merge by way of an arrangement under the *Business Corporations Act* (Alberta), pursuant to which Paramount would acquire all of the common shares and non-voting shares of Trilogy not already owned by Paramount in exchange for Class A common shares of Paramount on the basis of one Paramount Class A common share for every 3.75 Trilogy common shares and non-voting shares (referred to herein as the "Proposed Transaction"). The terms of the Proposed Transaction are more fully described in the arrangement agreement and shall also be described in the Joint Information Circular (the "Circular") to be mailed to Paramount and Trilogy shareholders in connection with the Proposed Transaction.

On July 6, 2017, Paramount also concurrently announced that it had entered into an agreement with certain subsidiaries of Apache Corporation to acquire Apache Canada Ltd. ("ACL") for \$459.5 million, plus working capital and other monetary adjustments (herein referred to as the "ACL Acquisition") funded with cash on hand and with no debt of ACL to be assumed.

We understand that the Proposed Transaction constitutes a related party transaction for purposes of *Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). The Board of Directors of Paramount (the "Board of Directors" or the "Board") has appointed a special committee of independent directors (the "Paramount Special Committee") to consider and evaluate the Proposed Transaction and to provide a recommendation to the Board.

Engagement

The Paramount Special Committee has requested that Deloitte, acting independently and objectively, provide our opinion (the "Fairness Opinion") as to whether the Proposed Transaction is fair, from a financial point of view, to the Paramount Class A common shareholders. The determination of fairness in the context of the Proposed Transaction includes the impact of the ACL Acquisition on the fair market value of Paramount. References to Paramount herein are inclusive of the ACL Acquisition, as the context requires.

The Fairness Opinion has been prepared in conformity with Practice Standards Nos. 510, 520, and 530 of the Canadian Institute of Chartered Business Valuators pertaining to fairness opinions.

The Paramount Special Committee, formally retained Deloitte, by way of an engagement agreement dated May 16, 2017 (the "Engagement Agreement"), to provide the Fairness Opinion. Deloitte was jointly retained by means of the Engagement Agreement by the special committee of Trilogy (the "Trilogy Special Committee" and together with the Paramount Special Committee, the "Special Committees") to provide similar services. Under the Engagement Agreement, the Paramount Special Committee and the Trilogy Special Committee also retained Deloitte to provide a formal valuation under MI 61-101 of the Paramount Class A common shares and the Trilogy common shares and non-voting shares (collectively, the "Formal Valuations"). The terms of the Engagement Agreement provide that Deloitte is to be paid a fixed fee for such services. In addition, Deloitte is to be reimbursed for reasonable out-of-pocket expenses and indemnified by the Special Committees in respect of certain liabilities, which may arise in connection with the provision of our services thereunder. No part of Deloitte's fee is contingent upon the successful completion of the Proposed Transaction. The principal individuals and other staff involved in the preparation of the Fairness Opinion acted independently and objectively in completing the engagement.

Credentials of Deloitte

Deloitte is one of the world's largest and most reputable professional services organizations with approximately 240,000 employees in over 150 countries. In Canada, Deloitte is one of the country's leading professional services firms and provides audit, tax, financial advisory, and consulting services through more than 10,000 people in 56 offices.

Deloitte's professionals have significant experience in providing financial advisory services for various purposes including fairness opinions, mergers and acquisitions, corporate finance, business valuations, litigation matters, and corporate income tax, amongst other services.

As a global market leader with over 125 valuation professionals in Canada and over 1,500 valuation professionals globally, Deloitte has a leading valuation practice with international delivery capabilities, deep financial and accounting acumen, and robust industry experience. Our valuation services group includes finance professionals, many of whom have earned professional designations including Chartered Business Valuator (CBV), Chartered Financial Analyst (CFA), Chartered Accountant (CA), Chartered Professional Accountant (CPA) and Accredited Senior Appraiser (ASA).

Independence of Deloitte

Deloitte is independent of Paramount, Trilogy, and any other "interested party" for the purposes of Section 6.1 of MI 61-101, as follows:

1. Deloitte and its affiliated entities are not "issuer insiders," "associated entities," nor "affiliated entities" of any interested party, as each such term is defined in MI 61-101, in respect of the Proposed Transaction;
2. Deloitte and its affiliated entities are not acting as financial advisors to any interested party in connection with the Proposed Transaction;
3. Deloitte is not the external auditor of Paramount, Trilogy, or any other interested party;
4. Deloitte's compensation under the Engagement Agreement will not depend in whole or in part on the conclusions reached in the Fairness Opinion or the outcome of the Proposed Transaction; and

5. Deloitte and its affiliated entities do not have any material financial interest in the completion of the Proposed Transaction.

Definitions and Approach to Fairness

With respect to the Fairness Opinion, we assessed fairness from a financial point of view, including based on whether the fair market value of the consideration to be paid by Paramount, by way of Paramount Class A common shares, to the Trilogy common and non-voting shareholders, falls within the range of values determined by dividing the range of fair market value of the Paramount Class A common shares by the range of fair market value of the Trilogy common shares and non-voting shares, as determined by us and summarized in the Formal Valuations. Our Formal Valuations will be summarized in the Circular and complete copies of the reports setting forth the Formal Valuations (the "Formal Valuation Reports") will be filed by Paramount and Trilogy on their respective SEDAR profiles at www.sedar.com. Our methodology, information, and analysis are set forth in the Formal Valuation Reports and readers are encouraged to read the Formal Valuation Reports in their entirety.

For the purposes of the Fairness Opinion, we were also guided by the definition of *fair market value* outlined in MI 61-101. *Fair market value* is defined as the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act. In determining the *fair market value* of the Paramount Class A common shares and the Trilogy common shares and non-voting shares, and consistent with MI 61-101, we did not include a downward adjustment to reflect the liquidity of any of these shares, the effect of the Proposed Transaction on any of these shares, or the fact that any of these shares do not form part of a controlling interest.

Currency

All currency amounts shown in this Fairness Opinion are expressed in Canadian dollars and are denoted as "\$."

Scope of Review

In connection with the Fairness Opinion, we reviewed and relied upon the following:

Information concerning Paramount

1. Discussions with management of Paramount, the Paramount Special Committee, and legal counsel to the Paramount Special Committee;
2. Audited financial statements of Paramount for the years ended December 31, 2012 to December 31, 2016, inclusive;
3. Management discussion and analysis for Paramount for the year ended December 31, 2016;
4. Unaudited financial statements for Paramount for the three months ended March 31, 2017;
5. Management discussion and analysis for Paramount for the three months ended March 31, 2017;
6. Unaudited financial statements for Paramount for the five months ended May 31, 2017;
7. Draft financial statements for Paramount for the six months ended June 30, 2017;
8. Information regarding the costs anticipated to be incurred by both Paramount and ACL for decommissioning and restoration liabilities, as provided by management of Paramount;
9. Draft purchase price allocation for the ACL Acquisition, as provided by management of Paramount;

10. Reserve reports for Paramount and ACL prepared by McDaniel & Associates Consultants Ltd., as at December 31, 2016 and June 1, 2017;
11. Internal management forecasts, projections, estimates, and budgets prepared or provided by management of Paramount;
12. Certain internal financial, operating, corporate, and other information for Paramount relating to its businesses, operations, and financial condition, as provided by management of Paramount;
13. Corporate presentation dated May 2017 for Paramount, as provided by management of Paramount;
14. Corporate presentation dated May 15, 2017 for ACL , as provided by management of Paramount;
15. Corporate presentation for Privateco dated May 2017, as provided by management of Paramount;
16. Tax related information for Paramount and ACL, and their subsidiaries, as at December 31, 2016 and May 31, 2017, as provided by management of Paramount;
17. Details related to the fixed assets owned by Paramount, as provided by management of Paramount;
18. Information regarding Paramount's financial instruments held, as at June 1, 2017, as provided by management of Paramount;
19. Information relating to Paramount's stock options issued and outstanding, as at June 1, 2017, as provided by management of Paramount;
20. The Arrangement Agreement related to the Proposed Transaction dated July 6, 2017 between Paramount and Trilogy;
21. Sale and Purchase Agreement related to the ACL Acquisition dated July 6, 2017 between Paramount and ACL;
22. Public information related to the business, operations, financial performance, and stock trading history of Paramount and other selected public entities considered by us to be relevant;
23. Public information with respect to other transactions of a comparable nature considered by us to be relevant;
24. Various institutional analyst research reports related to Paramount;
25. Paramount Annual Information Form for the year ended December 31, 2016;
26. Paramount Management Information Circular dated March 20, 2017;
27. Representations contained in a certificate addressed to us, dated as at July 6, 2017, from management of Paramount as to the completeness and accuracy of the information upon which the formal valuation related to the Paramount Class A common shares and the Fairness Opinion are based;
28. Representations contained in a certificate addressed to us, dated as at July 6, 2017, from the Paramount Special Committee as to our reliance on the scope of review set forth in the formal valuation related to the Paramount Class A common shares and the certificate referenced above from management of Paramount, as well as confirmation that the Paramount Special Committee has no knowledge of any information that would affect the conclusions noted in the formal valuation related to the Paramount Class A common shares and the Fairness Opinion; and
29. Such other corporate, industry, financial market information, investigations, and analyses as we considered necessary or appropriate in the circumstances.

Information concerning Trilogy

1. Discussions with management of Trilogy, the Trilogy Special Committee, and legal counsel to the Trilogy Special Committee;
2. Audited financial statements of Trilogy for the years ended December 31, 2012 to December 31, 2016, inclusive;
3. Management discussion and analysis for Trilogy for the year ended December 31, 2016;
4. Unaudited financial statements for Trilogy for the three months ended March 31, 2017;
5. Management discussion and analysis for Trilogy for the three months ended March 31, 2017;
6. Unaudited financial statement for Trilogy for the five months ended May 31, 2017;
7. Draft financial statements for Trilogy for the six months ended June 30, 2017;
8. Information regarding the costs anticipated to be incurred by Trilogy for decommissioning and restoration liabilities, as provided by management of Trilogy;
9. Reserve reports for Trilogy prepared by McDaniel & Associates Consultants Ltd., as at December 31, 2016 and June 1, 2017;
10. Internal management forecasts, projections, estimates, and budgets prepared or provided by management of Trilogy;
11. Certain internal financial, operating, corporate, and other information for Trilogy relating to its businesses, operations, and financial condition, as provided by management of Trilogy;
12. Corporate presentation dated May 9, 2017 for Trilogy, as provided by management of Trilogy;
13. Corporate presentation dated January 2017 for the Duvernay, as provided by management of Trilogy;
14. Tax related information for Trilogy and its subsidiaries, as at December 31, 2016 and May 31, 2017, as provided by management of Trilogy;
15. Details related to the fixed assets owned by Trilogy, as provided by management of Trilogy;
16. Information regarding Trilogy's financial instruments held, as at June 1, 2017, as provided by management of Trilogy;
17. Information relating to Trilogy's stock options issued and outstanding, as at June 1, 2017, as provided by management of Trilogy;
18. Arrangement Agreement related to the Proposed Transaction dated July 6, 2017 between Paramount and Trilogy;
19. Public information related to the business, operations, financial performance, and stock trading history of Trilogy and other selected public entities considered by us to be relevant;
20. Public information with respect to other transactions of a comparable nature considered by us to be relevant;
21. Various institutional analyst research reports related to Trilogy;
22. Trilogy Annual Information Form for the year ended December 31, 2016;
23. Trilogy Management Information Circular dated March 9, 2017;

24. Organizational structure for Trilogy, as at June 1, 2017;
25. Representations contained in a certificate addressed to us, dated as at July 6, 2017, from management of Trilogy as to the completeness and accuracy of the information upon which the formal valuation related to the Trilogy common shares and non-voting shares and the Fairness Opinion are based;
26. Representations contained in a certificate addressed to us, dated as at July 6, 2017, from the Trilogy Special Committee as to our reliance on the scope of review set forth in the formal valuation related to the Trilogy common shares and non-voting shares and the certificate referenced above from management of Trilogy, as well as confirmation that the Trilogy Special Committee has no knowledge of any information that would affect the conclusions noted in the formal valuation related to the Trilogy common shares and non-voting shares and the Fairness Opinion; and
27. Such other corporate, industry, financial market information, investigations, and analyses as we considered necessary or appropriate in the circumstances.

We have not, to the best of our knowledge, been denied access to any information that we have requested. We have not audited or otherwise verified the information relied upon in completing this Fairness Opinion.

Restrictions, Limitations, and Assumptions

Our Fairness Opinion is provided solely for the use by the Paramount Special Committee and the Board in considering the Proposed Transaction and for inclusion in the Circular. It is not intended for general circulation or publication, nor is it to be reproduced for any reason other than the stated purpose or as otherwise provided in the Engagement Agreement without the prior written consent of Deloitte in each specific instance. We do not assume any responsibility or liability for losses incurred by any party as a result of the circulation, publication, reproduction, or use of the Fairness Opinion contrary to the provisions in this paragraph. Subject to the terms of the Engagement Agreement, we consent to the inclusion of the Fairness Opinion in its entirety, and a summary thereof in a form acceptable to us, in the Circular and to the filing thereof, as necessary, by Paramount with the applicable securities commissions or similar regulatory authorities in Canada.

We have relied upon the completeness, accuracy, and fair presentation of all the financial and other information, data, advice, opinions, or representations obtained by us from management of Paramount ("Management") or other advisors to the Company (collectively referred to as the "Information"). The Fairness Opinion is conditional upon the completeness, accuracy, and fair presentation of such Information. We have not attempted to independently verify the completeness, accuracy, or fair presentation of the Information. Additionally, we have not attempted to audit any information obtained in the public domain.

No opinion, counsel, or interpretation is intended in matters that require legal, regulatory, or tax analysis or other appropriate professional advice. It is assumed that such opinions, counsel, or interpretations have been or will be obtained from the appropriate professional sources by the Company or the Paramount Special Committee. To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, we assume no responsibility, in connection with such matters, other than as specifically disclosed to us, that:

1. The title to all such assets, properties or business interests purportedly owned by Paramount and its subsidiaries is good and marketable, and there are no adverse interests, encumbrances, engineering,

environmental, zoning, planning ,or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all liens, encumbrances, or encroachments, other than as disclosed to us;

2. There is compliance with all applicable federal, local, and national regulations and laws in all material respects, as well as the policies of all applicable regulators, and that all required licenses, rights, consents, or legislative or administrative authority from any federal, local, or national government, private entity, regulatory agency, or organization have been or can be obtained or renewed for the operation of Paramount in the ordinary course of its business;
3. There are no material legal proceedings regarding the business, assets, or affairs of Paramount other than as disclosed to us; and
4. There are no material contingent or unrecorded liabilities, environmental liabilities, litigation pending or threatened in the ordinary course of business other than as disclosed to us.

Based on our discussions with Management and the Paramount Special Committee, we note that nothing has occurred or is pending to the date of the Fairness Opinion, which has not been disclosed to us, and which could be expected to have a material effect on the Fairness Opinion, as at the date of the Fairness Opinion.

This Fairness Opinion is given, as at July 6, 2017 on the basis of securities markets, economic, financial, and general business conditions prevailing, as at the date hereof, and the condition and prospects, financial and otherwise, of the Company and any of its subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to us in discussions with Management. In our analyses and in preparing the Fairness Opinion, we made numerous assumptions with respect to industry performance, general business, and economic conditions, many of which are beyond our control or any party involved in the Proposed Transaction.

This Fairness Opinion is rendered as at July 6, 2017 and Deloitte disclaims any undertaking or obligation to advise any person of any change in any facts or matter affecting the Fairness Opinion, which may come or be brought to our attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any facts or matter affecting the Fairness Opinion after the date hereof, we reserve the right to change, modify, or withdraw the Fairness Opinion in accordance with the terms of the Engagement Agreement.

The Fairness Opinion is not to be construed as a recommendation to the Paramount Special Committee, the Board of Directors or any Class A common shareholder of Paramount to support or reject the Proposed Transaction. We have not been retained to comment on the investment or strategic merit of the Proposed Transaction or the future operations of Paramount or Trilogy. Future business conditions are subject to change and are beyond our control and the control of the parties involved in the Proposed Transaction.

We believe that the Fairness Opinion and underlying analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

Material Benefit

Material benefit is any distinctive material benefit that might accrue to an interested party as a consequence of the transaction, including the earlier use of available tax losses, lower income taxes, reduced costs, or increased revenues.

Paramount stands to gain distinctive material benefit from the availability of additional tax losses and tax pools, as well as access to increased revenues and exposure in the Montney and Duvernay resource plays.

Fairness Opinion Conclusion

Based upon and subject to the foregoing, we are of the opinion that, as of July 6, 2017, the consideration to be paid by Paramount in connection with the Proposed Transaction is fair, from a financial point of view, to the shareholders of Paramount.

Yours truly,

Deloitte LLP

Deloitte LLP

APPENDIX G
TRILOGY FAIRNESS OPINION

July 6, 2017

The Special Committee of the Board of Directors
Trilogy Energy Corp.
Suite 1400, 332 – 6th Avenue S.W.
Calgary AB T2P 0B2

Dear Sirs:

Subject: Fairness Opinion in Connection with the Proposed Merger with Paramount Resources Ltd.

Introduction

Deloitte LLP ("Deloitte") understands that Trilogy Energy Corp. ("Trilogy" or the "Company") and Paramount Resources Ltd. ("Paramount") entered into an agreement to merge by way of an arrangement under the *Business Corporations Act* (Alberta), pursuant to which Paramount would acquire all of the common shares and non-voting shares of Trilogy not already owned by Paramount in exchange for Class A common shares of Paramount on the basis of one Paramount Class A common share for every 3.75 Trilogy common shares and non-voting shares (referred to herein as the "Proposed Transaction"). The terms of the Proposed Transaction are more fully described in the arrangement agreement and shall also be described in the Joint Information Circular (the "Circular") to be mailed to Trilogy and Paramount shareholders in connection with the Proposed Transaction.

On July 6, 2017, Paramount also concurrently announced that it had entered into an agreement with certain subsidiaries of Apache Corporation to acquire Apache Canada Ltd. ("ACL") for \$459.5 million, plus working capital and other monetary adjustments (herein referred to as the "ACL Acquisition"). The acquisition is expected to be funded by Paramount with cash on hand and with no debt of ACL to be assumed.

We understand that the Proposed Transaction constitutes a business combination for Trilogy for the purposes of *Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). The board of directors of Trilogy (the "Board of Directors" or the "Board") has appointed a special committee of independent directors (the "Trilogy Special Committee") to consider and evaluate the Proposed Transaction and to provide a recommendation to the Board.

Engagement

The Trilogy Special Committee has requested that Deloitte, acting independently and objectively, provide our opinion (the "Fairness Opinion") as to whether the Proposed Transaction is fair, from a financial point of view, to the Trilogy common and non-voting shareholders. The determination of fairness in the context of the Proposed Transaction includes the impact of the ACL Acquisition on the fair market value of Paramount. References to Paramount herein are inclusive of the ACL, as the context requires.

The Fairness Opinion has been prepared in conformity with Practice Standards Nos. 510, 520, and 530 of the Canadian Institute of Chartered Business Valuators pertaining to fairness opinions.

The Trilogy Special Committee, formally retained Deloitte, by way of an engagement agreement dated May 16, 2017 (the "Engagement Agreement"), to provide the Fairness Opinion. Deloitte was jointly retained by means of the Engagement Agreement by the special committee of Paramount (the "Paramount Special Committee" and together with the Trilogy Special Committee, the "Special Committees") to provide similar services. Under the Engagement Agreement, the Trilogy Special Committee and the Paramount Special Committee also retained Deloitte to provide a formal valuation under MI 61-101 of the Paramount Class A common shares and the Trilogy common shares and non-voting shares (collectively, the "Formal Valuations"). The terms of the Engagement Agreement provide that Deloitte is to be paid a fixed fee for such services. In addition, Deloitte is to be reimbursed for reasonable out-of-pocket expenses and indemnified by the Special Committees in respect of certain liabilities, which may arise in connection with the provision of our services thereunder. No part of Deloitte's fee is contingent upon the successful completion of the Proposed Transaction. The principal individuals and other staff involved in the preparation of the Fairness Opinion acted independently and objectively in completing the engagement.

Credentials of Deloitte

Deloitte is one of the world's largest and most reputable professional services organizations with approximately 240,000 employees in over 150 countries. In Canada, Deloitte is one of the country's leading professional services firms and provides audit, tax, financial advisory, and consulting services through more than 10,000 people in 56 offices.

Deloitte's professionals have significant experience in providing financial advisory services for various purposes including fairness opinions, mergers and acquisitions, corporate finance, business valuations, litigation matters, and corporate income tax, amongst other services.

As a global market leader with over 125 valuation professionals in Canada and over 1,500 valuation professionals globally, Deloitte has a leading valuation practice with international delivery capabilities, deep financial and accounting acumen, and robust industry experience. Our valuation services group includes finance professionals, many of whom have earned professional designations including Chartered Business Valuator (CBV), Chartered Financial Analyst (CFA), Chartered Accountant (CA), Chartered Professional Accountant (CPA), and Accredited Senior Appraiser (ASA).

Independence of Deloitte

Deloitte is independent of Trilogy, Paramount, and any other "interested party" for the purposes of Section 6.1 of MI 61-101, as follows:

1. Deloitte and its affiliated entities are not "issuer insiders," "associated entities," nor "affiliated entities" of any interested party, as each such term is defined in MI 61-101, in respect of the Proposed Transaction;
2. Deloitte and its affiliated entities are not acting as financial advisors to any interested party in connection with the Proposed Transaction;
3. Deloitte is not the external auditor of Trilogy, Paramount, or any other interested party;
4. Deloitte's compensation under the Engagement Agreement will not depend in whole or in part on the conclusions reached in the Fairness Opinion or the outcome of the Proposed Transaction; and

5. Deloitte and its affiliated entities do not have any material financial interest in the completion of the Proposed Transaction.

Definitions and Approach to Fairness

With respect to the Fairness Opinion, we assessed fairness from a financial point of view based on whether the fair market value of the consideration to be paid by Paramount, by way of Paramount Class A common shares, to the Trilogy common and non-voting shareholders, falls within the range of values determined by dividing the range of *fair market value* of the Paramount Class A common shares by the range of fair market value of the Trilogy common shares and non-voting shares, as determined by us and summarized in the Formal Valuations. Our Formal Valuations will be summarized in the Circular and complete copies of the reports setting forth the Formal Valuations (the "Formal Valuation Reports") will be filed by Trilogy and Paramount on their respective SEDAR profiles at www.sedar.com. Our methodology, information, and analysis are set forth in the Formal Valuation Reports and readers are encouraged to read the Formal Valuation Reports in their entirety.

For the purposes of the Fairness Opinion, we were also guided by the definition of *fair market value* outlined in MI 61-101. *Fair market value* is defined as the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act. In determining the *fair market value* of the Paramount Class A common shares and the Trilogy common shares and non-voting shares, and consistent with MI 61-101, we did not include a downward adjustment to reflect the liquidity of any of these shares, the effect of the Proposed Transaction on any of these shares, or the fact that any of these shares do not form part of a controlling interest.

Currency

All currency amounts shown in this Fairness Opinion are expressed in Canadian dollars and are denoted as "\$."

Scope of Review

In connection with the Fairness Opinion, we reviewed and relied upon the following:

Information concerning Trilogy:

1. Discussions with management of Trilogy, the Trilogy Special Committee, and legal counsel to the Trilogy Special Committee;
2. Audited financial statements of Trilogy for the years ended December 31, 2012 to December 31, 2016, inclusive;
3. Management discussion and analysis for Trilogy for the year ended December 31, 2016;
4. Unaudited financial statements for Trilogy for the three months ended March 31, 2017;
5. Management discussion and analysis for Trilogy for the three months ended March 31, 2017;
6. Unaudited financial statements for Trilogy for the five months ended May 31, 2017;
7. Draft financial statements for Trilogy for the six months ended June 30, 2017;
8. Information regarding the costs anticipated to be incurred by Trilogy for decommissioning and restoration liabilities, as provided by management of Trilogy;
9. Reserve reports for Trilogy prepared by McDaniel & Associates Consultants Ltd., as at December 31, 2016 and June 1, 2017;

10. Internal management forecasts, projections, estimates, and budgets prepared or provided by management of Trilogy;
11. Certain internal financial, operating, corporate, and other information for Trilogy relating to its businesses, operations, and financial condition, as provided by management of Trilogy;
12. Corporate presentation dated May 9, 2017 for Trilogy, as provided by management of Trilogy;
13. Corporate presentation dated January 2017 for the Duvernay, as provided by management of Trilogy;
14. Tax related information for Trilogy and its subsidiaries, as at December 31, 2016 and May 31, 2017, as provided by management of Trilogy;
15. Details related to the fixed assets owned by Trilogy, as provided by management of Trilogy;
16. Information regarding Trilogy's financial instruments held, as at June 1, 2017, as provided by management of Trilogy;
17. Information relating to Trilogy's stock options issued and outstanding, as at June 1, 2017, as provided by management of Trilogy;
18. Arrangement Agreement related to the Proposed Transaction dated July 6, 2017 between Paramount and Trilogy;
19. Public information related to the business, operations, financial performance, and stock trading history of Trilogy and other selected public entities considered by us to be relevant;
20. Public information with respect to other transactions of a comparable nature considered by us to be relevant;
21. Various institutional analyst research reports related to Trilogy;
22. Trilogy Annual Information Form for the year ended December 31, 2016;
23. Trilogy Management Information Circular dated March 9, 2017;
24. Organizational structure for Trilogy, as at June 1, 2017;
25. Representations contained in a certificate addressed to us, dated as at July 6, 2017, from management of Trilogy as to the completeness and accuracy of the information upon which the formal valuation related to the Trilogy common shares and non-voting shares and the Fairness Opinion are based;
26. Representations contained in a certificate addressed to us, dated as at July 6, 2017, from the Trilogy Special Committee as to our reliance on the scope of review set forth in the formal valuation related to the Trilogy common shares and non-voting shares and the certificate referenced above from management of Trilogy, as well as confirmation that the Trilogy Special Committee has no knowledge of any information that would affect the conclusions noted in the formal valuation related to the Trilogy common shares and non-voting shares and the Fairness Opinion; and
27. Such other corporate, industry, financial market information, investigations, and analyses as we considered necessary or appropriate in the circumstances.

Information concerning Paramount:

1. Discussions with management of Paramount, the Paramount Special Committee, and legal counsel to the Paramount Special Committee;
2. Audited financial statements of Paramount for the years ended December 31, 2012 to December 31, 2016, inclusive;
3. Management discussion and analysis for Paramount for the year ended December 31, 2016;
4. Unaudited financial statements for Paramount for the three months ended March 31, 2017;
5. Management discussion and analysis for Paramount for the three months ended March 31, 2017;
6. Unaudited financial statements for Paramount for the five months ended May 31, 2017;
7. Draft financial statements for Paramount for the six months ended June 30, 2017;
8. Information regarding the costs anticipated to be incurred by both Paramount and ACL for decommissioning and restoration liabilities, as provided by management of Paramount;
9. Draft purchase price allocation for the ACL Acquisition, as provided by management of Paramount;
10. Reserve reports for Paramount and ACL prepared by McDaniel & Associates Consultants Ltd., as at December 31, 2016 and June 1, 2017;
11. Internal management forecasts, projections, estimates, and budgets prepared or provided by management of Paramount;
12. Certain internal financial, operating, corporate, and other information for Paramount relating to its businesses, operations, and financial condition, as provided by management of Paramount;
13. Corporate presentation dated May 2017 for Paramount, as provided by management of Paramount;
14. Corporate presentation dated May 15, 2017 for ACL , as provided by management of Paramount;
15. Corporate presentation for Privateco dated May 2017;
16. Tax related information for Paramount and ACL, and their subsidiaries, as at December 31, 2016 and May 31, 2017, as provided by management of Paramount;
17. Details related to the fixed assets owned by Paramount, as provided by management of Paramount;
18. Information regarding Paramount's financial instruments held, as at June 1, 2017, as provided by management of Paramount;
19. Information relating to Paramount's stock options issued and outstanding, as at June 1, 2017, as provided by management of Paramount;
20. The Arrangement Agreement related to the Proposed Transaction dated July 6, 2017 between Paramount and Trilogy;
21. Sale and Purchase Agreement related to the ACL Acquisition dated July 6, 2017 between Paramount and ACL;
22. Public information related to the business, operations, financial performance, and stock trading history of Paramount and other selected public entities considered by us to be relevant;
23. Public information with respect to other transactions of a comparable nature considered by us to be relevant;

24. Various institutional analyst research reports related to Paramount;
25. Paramount Annual Information Form for the year ended December 31, 2016;
26. Paramount Management Information Circular dated March 20, 2017;
27. Representations contained in a certificate addressed to us, dated as at July 6, 2017, from management of Paramount as to the completeness and accuracy of the information upon which the formal valuation related to the Paramount Class A common shares and the Fairness Opinion are based;
28. Representations contained in a certificate addressed to us, dated as at July 6, 2017, from the Paramount Special Committee as to our reliance on the scope of review set forth in the formal valuation related to the Paramount Class A common shares and the certificate referenced above from management of Paramount, as well as confirmation that the Paramount Special Committee has no knowledge of any information that would affect the conclusions noted in the formal valuation related to the Paramount Class A common shares and the Fairness Opinion; and
29. Such other corporate, industry, financial market information, investigations, and analyses as we considered necessary or appropriate in the circumstances.

We have not, to the best of our knowledge, been denied access to any information that we have requested. We have not audited or otherwise verified the information relied upon in completing this Fairness Opinion.

Restrictions, Limitations, and Assumptions

Our Fairness Opinion is provided solely for the use by the Trilogy Special Committee and the Board in considering the Proposed Transaction and for inclusion in the Circular. It is not intended for general circulation or publication, nor is it to be reproduced for any reason other than the stated purpose or as otherwise provided in the Engagement Agreement without the prior written consent of Deloitte in each specific instance. We do not assume any responsibility or liability for losses incurred by any party as a result of the circulation, publication, reproduction, or use of the Fairness Opinion contrary to the provisions in this paragraph. Subject to the terms of the Engagement Agreement, we consent to the inclusion of the Fairness Opinion in its entirety, and a summary thereof in a form acceptable to us, in the Circular and to the filing thereof, as necessary, by Trilogy with the applicable securities commissions or similar regulatory authorities in Canada.

We have relied upon the completeness, accuracy, and fair presentation of all the financial and other information, data, advice, opinions, or representations obtained by us from management of Trilogy ("Management") or other advisors to the Company (collectively referred to as the "Information"). The Fairness Opinion is conditional upon the completeness, accuracy, and fair presentation of such Information. We have not attempted to independently verify the completeness, accuracy, or fair presentation of the Information. Additionally, we have not attempted to audit any information obtained in the public domain.

No opinion, counsel, or interpretation is intended in matters that require legal, regulatory, or tax analysis or other appropriate professional advice. It is assumed that such opinions, counsel, or interpretations have been or will be obtained from the appropriate professional sources by the Company or the Special Committee. To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, we assume no responsibility, in connection with such matters, other than as specifically disclosed to us, that:

1. The title to all such assets, properties or business interests purportedly owned by Trilogy and its subsidiaries is good and marketable, and there are no adverse interests, encumbrances, engineering, environmental, zoning, planning ,or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all liens, encumbrances, or encroachments, other than as disclosed to us;
2. There is compliance with all applicable federal, local, and national regulations and laws in all material respects, as well as the policies of all applicable regulators, and that all required licenses, rights, consents, or legislative or administrative authority from any federal, local, or national government, private entity, regulatory agency, or organization have been or can be obtained or renewed for the operation of Trilogy in the ordinary course of its business;
3. There are no material legal proceedings regarding the business, assets, or affairs of Trilogy other than as disclosed to us; and
4. There are no material contingent or unrecorded liabilities, environmental liabilities, litigation pending or threatened in the ordinary course of business other than as disclosed to us.

Based on our discussions with Management and the Special Committee, we note that nothing has occurred or is pending to the date of the Fairness Opinion, which has not been disclosed to us, and which could be expected to have a material effect on the Fairness Opinion, as at the date of the Fairness Opinion.

This Fairness Opinion is given, as at July 6, 2017 on the basis of securities markets, economic, financial, and general business conditions prevailing, as at the date hereof, and the condition and prospects, financial and otherwise, of the Company and any of its subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to us in discussions with Management. In our analyses and in preparing the Fairness Opinion, we made numerous assumptions with respect to industry performance, general business, and economic conditions, many of which are beyond our control or any party involved in the Proposed Transaction.

This Fairness Opinion is rendered, as at July 6, 2017 and Deloitte disclaims any undertaking or obligation to advise any person of any change in any facts or matter affecting the Fairness Opinion, which may come or be brought to our attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any facts or matter affecting the Fairness Opinion after the date hereof, we reserve the right to change, modify, or withdraw the Fairness Opinion in accordance with the terms of the Engagement Agreement.

The Fairness Opinion is not to be construed as a recommendation to the Special Committee, the Board of Directors or any common and non-voting shareholder of Trilogy to support or reject the Proposed Transaction. We have not been retained to comment on the investment or strategic merit of the Proposed Transaction or the future operations of Paramount or Trilogy. Future business conditions are subject to change and are beyond our control and the control of the parties involved in the Proposed Transaction.

We believe that the Fairness Opinion and underlying analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

Material Benefit

Material benefit is any distinctive material benefit that might accrue to an interested party as a consequence of the transaction, including the earlier use of available tax losses, lower income taxes, reduced costs, or increased revenues.

Trilogy stands to gain distinctive material benefit from the availability of additional financing, as well as access to increased revenues and exposure in the Montney and Duvernay resource plays.

Fairness Opinion Conclusion

Based upon and subject to the foregoing, we are of the opinion that, as of July 6, 2017, the consideration to be received by the shareholders of Trilogy in regard to the Proposed Transaction is fair, from a financial point view, to the shareholders of Trilogy.

Yours truly,

Deloitte LLP

Deloitte LLP

APPENDIX H

INFORMATION CONCERNING PARAMOUNT RESOURCES LTD.

Documents Incorporated by Reference

Information in respect of Paramount has been incorporated by reference in this Appendix H from documents filed with the securities commissions or similar securities regulatory authorities in each province of Canada. Copies of the documents incorporated herein by reference may be obtained under Paramount's issuer profile on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com, or on request, without charge, from Paramount's Corporate Secretary, at Suite 4700, 888 3rd Street S.W., Calgary, Alberta T2P 5C5.

The following documents of Paramount, filed with the securities commissions or similar securities regulatory authorities in each province of Canada, are specifically incorporated by reference into and form part of this Circular:

- (a) Paramount AIF;
- (b) Paramount's Management Information Circular dated March 20, 2017 in respect of Paramount's annual general meeting of shareholders held on May 10, 2017;
- (c) the audited annual consolidated financial statements of Paramount as at and for the years ended December 31, 2016 and 2015, together with the notes thereto;
- (d) Paramount Annual MD&A;
- (e) the unaudited interim consolidated financial statements of Paramount as at and for the three and six months ended June 30, 2017, together with the notes thereto;
- (f) Paramount Interim MD&A; and
- (g) the Material Change Report of Paramount dated July 14, 2017 in respect of the Apache Canada Acquisition and the Merger.

Any documents of the type described in Section 11.1 of Form 44-101F1 – *Short Form Prospectus* filed by Paramount with the applicable securities regulatory authorities subsequent to the date of this Circular and prior to the Paramount Meeting shall be deemed to be incorporated by reference in this Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular.

Summary of the Business

Paramount is incorporated under the Act. Paramount is an independent, publicly-traded, Canadian energy company that explores and develops unconventional and conventional petroleum and natural gas prospects, including long-term unconventional exploration and pre-development projects, and holds a

portfolio of investments in other entities. The Company's principal properties are located in Alberta and British Columbia. Paramount's ongoing exploration, development and production activities are intended to establish new reserves and increase the productive capacity of existing fields. From time to time, Paramount enhances its exploration, development and production operations through strategic acquisitions of petroleum and natural gas assets and companies, farm-ins, farm-outs, joint ventures and dispositions.

Paramount's corporate and registered office is located at Suite 4700, 888 3rd Street S.W., Calgary, Alberta T2P 5C5. Paramount Shares are listed on the TSX under the symbol "POU".

Recent Developments

On July 6, 2017, Paramount, through Acquireco, entered into the Apache Canada Acquisition Agreement with certain subsidiaries of Apache Corporation (the "**Apache Parties**") to acquire all of the shares of Apache Canada for \$459.5 million, plus working capital and other monetary adjustments. The Apache Canada Acquisition Agreement contains customary representations, warranties and covenants of the parties and customary conditions. Paramount and Apache Corporation have both guaranteed the principal obligations and indemnities of their subsidiaries under the Apache Canada Acquisition Agreement. Paramount plans to fund the Apache Canada Acquisition with cash on hand and no debt will be assumed.

The Apache Canada Acquisition will constitute a "significant acquisition" for the purposes of Part 8 of NI 51-102. A copy of the Apache Canada Acquisition Agreement has been filed on SEDAR and may be viewed under Paramount's profile at www.sedar.com.

The Apache Canada Acquisition will provide Paramount with an expanded portfolio of opportunities to enhance shareholder value. Paramount's diversified production base will be capable of delivering repeatable, low risk growth and generating free cash flow in a variety of price environments.

Highlights of the Apache Canada Acquisition include the following:

- (a) Paramount will acquire future Montney and Duvernay resource play opportunities in the Alberta Deep Basin, with production currently concentrated at Kaybob and Central Alberta;
- (b) Paramount will acquire a turn-key Montney resource play at Wapiti, northwest of Paramount's Karr project, and 150 MMcf/d of gathering and processing capacity which a midstream owner/operator has committed to construct by mid-2019 and to which Paramount will have priority access with a take-or-pay commitment for a portion of the capacity;
- (c) Paramount will add approximately 46,000 acres of undeveloped acreage at Wapiti with multiple intervals in the Montney formation which Paramount plans to develop utilizing the well completion designs that have been successfully implemented by it at Karr;
- (d) Paramount will increase its total acreage by approximately 1.6 million net acres, including highly prospective Montney and Duvernay undeveloped acreage of approximately 185,000 and 45,000 net acres, respectively; and
- (e) Paramount will acquire approximately 176,000 net acres of fee simple lands in Central Alberta.

For more information concerning Apache Canada, please see Appendix I – *"Information Concerning Apache Canada Ltd."* For more information concerning Paramount after the Apache Canada Acquisition, please see *"Information Relating to Paramount After the Apache Canada Acquisition and the Merger"*. Also, please see Appendix J – *"Financial Statements"* for certain historical information concerning Apache Canada and pro forma financial information of Paramount after giving effect to the Apache Canada Acquisition and the Merger.

Reserves and Other Oil and Gas Information

The reserves and other oil and gas information contained herein is dated effective June 1, 2017. The reserves information provided below is derived from the McDaniel report dated May 30, 2017 (the “**Paramount Mid-Year Reserves Report**”) for Paramount’s oil, natural gas and NGLs reserves attributable to Paramount’s properties. The Paramount Mid-Year Reserves Report is an update to McDaniel’s reserves report dated March 8, 2017 with an effective date of December 31, 2016, which is incorporated herein by reference. The evaluation or review, as applicable, by McDaniel was prepared in accordance with the standards included in the COGE Handbook and National Instrument 51-101.

The following tables set forth information relating to Paramount’s working interest share of reserves, net reserves after royalties, and estimated future net revenue as at June 1, 2017. The reserves are reported using forecast prices and costs. Columns and rows may not add due to rounding.

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

Reserves Information

Reserves Data

The following table summarizes Paramount’s reserves at June 1, 2017.

Reserves Category	Light & Medium Oil		Reserves ⁽¹⁾ Heavy Oil		Tight Oil	
	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾
	(Mbbbl)	(Mbbbl)	(Mbbbl)	(Mbbbl)	(Mbbbl)	(Mbbbl)
Proved						
Developed Producing	409.3	334.5	-	-	109.4	89.0
Non-producing	-	-	-	-	252.6	213.6
Undeveloped	-	-	-	-	-	-
Total Proved	409.3	334.5	-	-	361.9	302.5
Total Probable	156.3	128.9	-	-	170.5	130.9
Total Proved plus Probable	565.6	463.4	-	-	532.4	433.5

Reserves Category	Conventional Natural Gas		Shale Gas		Natural Gas Liquids	
	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾
	(MMcf)	(MMcf)	(MMcf)	(MMcf)	(Mbbbl)	(Mbbbl)
Proved						
Developed Producing	20,534.5	19,906.7	56,985.3	51,643.7	6,925.7	5,706.4
Non-producing	983.0	934.1	23,821.0	22,008.4	2,878.9	2,506.3
Undeveloped	-	-	189,696.9	172,969.2	24,153.9	20,464.2
Total Proved	21,517.5	20,840.8	270,503.2	246,621.3	33,958.5	28,676.9
Total Probable	6,208.1	5,998.5	232,659.8	197,720.2	22,839.9	17,894.7
Total Proved plus Probable	27,725.6	26,839.3	503,163.0	444,341.5	56,798.3	46,571.6

Notes:

- (1) Excludes probable bitumen reserves related to Paramount’s oil sands properties.
- (2) Gross reserves are working interest reserves before royalty deductions.
- (3) Net reserves are working interest reserves after royalty deductions plus royalty interest reserves.

Net Present Value of Future Net Revenue

The following table summarizes the net present values of future net revenue attributable to Paramount’s reserves evaluated as at June 1, 2017. The net present values are reported before income tax and have

been discounted using rates of 0 percent, 5 percent, 10 percent, 15 percent and 20 percent and on a net unit value basis at a discount rate of 10 percent before income taxes. Future Net Revenue does not represent fair market value.

Reserves Category	Net Present Values of Future Net Revenue Before Income Taxes Discounted at (%/year) ⁽¹⁾					Unit Value Before Tax 10% ⁽²⁾ (\$/boe)
	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)	
Reserves						
Proved						
Developed Producing	352,606.0	299,057.3	261,324.8	233,730.2	212,783.2	14.47
Non-producing	148,516.0	125,635.0	110,164.9	99,108.1	90,806.2	16.84
Undeveloped	835,206.9	555,736.2	386,408.9	277,379.6	203,487.9	7.84
Total Proved	1,336,328.9	980,428.5	757,898.6	610,217.9	507,077.3	10.26
Total Probable	1,053,758.1	646,094.2	435,888.0	315,133.6	239,581.6	8.37
Total Proved plus Probable	2,390,087.0	1,626,522.7	1,193,786.5	925,351.5	746,658.8	9.47

Notes:

(1) Excludes future net revenue related to Paramount's oil sands properties.

(2) Unit values are based on net reserve volumes.

Future Net Revenue

The following table summarizes the total undiscounted future net revenue attributable to Paramount's reserves evaluated at June 1, 2017.

Reserves Category ⁽¹⁾	Revenue ⁽²⁾ M\$	Royalties ⁽³⁾ M\$	Operating Costs M\$	Development Costs M\$	Abandonment & Reclamation Costs M\$	Future Net Revenue Before Income Taxes M\$
Total Proved Reserves	3,474,664	482,539	948,136	664,904	42,756	1,336,329
Total Proved plus Probable Reserves	6,136,045	999,564	1,696,802	994,043	55,549	2,390,087

Notes:

(1) Excludes future net revenue related to Paramount's oil sands properties.

(2) Includes all product revenues and other revenues as forecast.

(3) Royalties include any net profits interests paid, as well as the Saskatchewan Corporation Capital Tax Surcharge.

Future Net Revenue by Product Type

The following table summarizes the net present value of future net revenue by product type on a unit value basis, before income tax, attributable to Paramount's net reserves evaluated at June 1, 2017. Amounts have been discounted at 10 percent.

Reserves Category	Product Type	Future Net Revenue Before Income Taxes ⁽¹⁾ (discounted at 10%) M\$	Unit Value ⁽²⁾ \$/Mcf \$/bbl
Total Proved Reserves	Light and Medium Oil (including Solution Gas and By-products)	5,422	16.71
	Tight Oil (including Solution Gas and By-products)	7,332	24.23
	Conventional Natural Gas (including By-products)	32,622	1.60
	Shale Gas (including By-products)	712,523	2.89
	Total	757,899	
Total Proved plus Probable Reserves	Light and Medium Crude (including solution gas and other By-products)	7,864	17.54
	Tight Oil (including Solution Gas and By-products)	11,375	26.24
	Conventional Natural Gas (including By-products)	41,829	1.60
	Shale Gas (including By-products)	1,132,718	2.55
	Total	1,193,787	

Notes:

(1) Excludes future net revenue related to Paramount's oil sands properties.

(2) Unit values are calculated using the 10% discount rate divided by the product type net reserves for each group.

Summary of Pricing and Inflation Rate Assumptions

Pricing and inflation rate assumptions used in the Paramount Mid-Year Reserves Report in calculating the net present value of future net revenue attributable to Paramount's reserves are as follows:

McDaniel & Associates Consultants Ltd. Summary of Natural Gas Price Forecasts April 1, 2017								
Year	U.S. Henry Hub Gas Price \$/US/MMBtu	Alberta AECO Spot Price \$/C/MMBtu	Alberta Average Plantgate ⁽¹⁾ \$/C/MMBtu	Alberta Aggregator Plantgate \$/C/MMBtu	Alberta Spot Sales Plantgate \$/C/MMBtu	Sask. Prov. Gas Plantgate \$/C/MMBtu	British Columbia Average Plantgate \$/C/MMBtu	British Columbia Station 2 \$/C/MMBtu
2017 (9 mos)	3.25	3.00	2.80	2.80	2.80	2.90	2.50	2.63
2018	3.05	2.85	2.65	2.65	2.65	2.75	2.35	2.48
2019	3.20	3.05	2.85	2.85	2.85	2.95	2.65	2.79
2020	3.45	3.35	3.15	3.15	3.15	3.25	2.95	3.09
2021	3.80	3.65	3.45	3.45	3.45	3.55	3.25	3.39
2022	4.00	3.90	3.70	3.70	3.70	3.80	3.50	3.64
2023	4.10	4.05	3.80	3.80	3.80	3.90	3.55	3.70
2024	4.15	4.10	3.85	3.85	3.85	3.95	3.60	3.75
2025	4.25	4.20	3.95	3.95	3.95	4.05	3.70	3.85
2026	4.35	4.30	4.05	4.05	4.05	4.15	3.80	3.96
2027	4.40	4.35	4.10	4.10	4.10	4.20	3.85	4.01
2028	4.50	4.45	4.20	4.20	4.20	4.30	3.95	4.11
2029	4.60	4.55	4.30	4.30	4.30	4.45	4.05	4.21
2030	4.70	4.65	4.40	4.40	4.40	4.55	4.15	4.32
2031	4.80	4.75	4.50	4.50	4.50	4.65	4.25	4.42
Thereafter	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr

Note:

(1) This forecast also applies to direct sales contracts and the Alberta gas preference price.

McDaniel & Associates Consultants Ltd.
Summary of Crude Oil and Natural Gas Liquids Price Forecasts
April 1, 2017

Year	WTI Crude Oil \$/bbl	Brent Crude Oil \$/bbl	Edmonton Light Crude Oil \$/bbl	Alberta Bow River Hardisty Crude Oil \$/bbl	Western Canadian Select Crude Oil \$/bbl	Alberta Heavy Crude Oil \$/bbl	Sask Cromer Medium Crude Oil \$/bbl	Edmonton Cond. & Natural Gasolines \$/bbl	Edmonton Ethane \$/bbl	Edmonton Propane \$/bbl	Edmonton Butanes \$/bbl	Inflation %	US/CAN Exchange Rate \$/US\$/CAN
	(1)	(2)	(3)	(4)	(5)	(6)	(7)						
2017 (9 mos)	52.50	54.50	66.50	51.90	51.20	44.30	59.90	69.50	11.20	17.70	41.40	0.0	0.750
2018	56.10	57.10	69.40	56.20	55.50	48.20	64.50	72.50	10.60	21.00	45.80	2.0	0.775
2019	59.80	60.80	72.30	60.00	59.30	51.70	67.20	75.40	11.40	24.90	47.70	2.0	0.800
2020	66.30	67.40	77.80	64.60	63.80	55.60	72.40	81.00	12.60	26.90	54.10	2.0	0.825
2021	73.10	74.20	83.40	69.20	68.40	59.60	77.60	86.60	13.80	29.00	61.10	2.0	0.850
2022	77.30	78.40	88.30	73.30	72.40	63.10	82.10	91.60	14.80	30.80	64.70	2.0	0.850
2023	78.80	79.90	90.00	74.70	73.80	64.40	83.70	93.40	15.20	31.40	65.90	2.0	0.850
2024	80.40	81.50	91.80	76.20	75.30	65.60	85.40	95.20	15.40	32.00	67.30	2.0	0.850
2025	82.00	83.20	93.70	77.80	76.80	67.00	87.10	97.20	15.80	32.70	68.60	2.0	0.850
2026	83.70	84.90	95.80	79.30	78.40	68.40	88.90	99.20	16.20	33.40	70.00	2.0	0.850
2027	85.30	86.50	97.40	80.80	79.90	69.60	90.60	101.10	16.40	34.00	71.40	2.0	0.850
2028	87.00	88.20	99.40	82.50	81.50	71.10	92.40	103.10	16.80	34.70	72.80	2.0	0.850
2029	88.80	90.10	101.40	84.20	83.10	72.50	94.30	105.20	17.20	35.40	74.30	2.0	0.850
2030	90.60	91.90	103.50	85.90	84.90	74.00	96.30	107.40	17.60	36.20	75.80	2.0	0.850
2031	92.40	93.70	105.50	87.60	86.50	75.40	98.10	109.50	18.00	36.90	77.30	2.0	0.850
Thereafter	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	2.0	0.850

Notes:

- (1) West Texas Intermediate at Cushing Oklahoma 40 degrees API/0.5% sulphur
- (2) North Sea Brent Blend 37 degrees API/1.0% sulphur
- (3) Edmonton Light Sweet 40 degrees API, 0.3% sulphur
- (4) Bow River at Hardisty, Alberta (Heavy stream)
- (5) Western Canadian Select at Hardisty, Alberta
- (6) Heavy crude oil 12 degrees API at Hardisty, Alberta (after deduction of blending costs to reach pipeline quality)
- (7) Midale Cromer crude oil 29 degrees API, 2.0% Sulphur

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

Paramount's natural gas portfolio primarily consists of sales priced at the Alberta, California and Chicago markets and is sold in a combination of daily and monthly contracts. Paramount sells its condensate volumes in both stabilized and unstabilized condition, depending upon the location of production and the availability of stabilization capacity. Stabilized condensate volumes delivered through pipelines typically receive prices for condensate quoted at Edmonton, which are generally higher than prices for unstabilized volumes, and are adjusted for applicable transportation, quality and density differentials. Prices for unstabilized condensate volumes trucked to terminals are based on crude oil or condensate prices quoted at Edmonton, depending on the terminal to which volumes are delivered, and are adjusted for applicable transportation, quality and density differentials.

Additional Information Relating to Reserves Data

Production Estimates

The following table summarizes the total estimated gross production from June 1, 2017 until December 31, 2017 from the Paramount Mid-Year Reserves Report:

Paramount Resources Ltd.
2017 Production Estimate (7 Months)
Forecast Prices and Costs as of June 1, 2017
Total Company

Reserves Category	Product Type	Estimated Production (Gross)
Total Proved Reserves	Shale Gas (MMcf)	14,398
	Conventional Natural Gas (MMcf)	2,671
	Light and Medium Crude & Tight Oil (Mbbbl)	101
	NGLs (Mbbbl)	2,577
	Total Production (Mboe)	5,523
Total Proved plus Probable Reserves	Shale Gas (MMcf)	17,665
	Conventional Natural Gas (MMcf)	2,820
	Light and Medium Crude & Tight Oil (Mbbbl)	118
	NGLs (Mbbbl)	3,138
	Total Production (Mboe)	6,671

Future Development Costs

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

	Future Development Cost (undiscounted M\$)						Total
	2017E	2018E	2019E	2020E	2021E	Remaining	
Total Proved	100,478	88,370	139,021	116,007	110,860	110,167	664,904
Total Proved plus Probable	123,366	127,836	149,951	123,415	122,194	347,282	994,043

Description of Share Capital

Attributes of Equity Securities

Paramount's authorized share capital as of the date hereof consists of an unlimited number of Paramount Shares and an unlimited number of preferred shares, issuable in series. As at July 31, 2017, 106,234,615 Paramount Shares were issued and outstanding and no preferred shares were issued and outstanding.

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

Dividend Policy

In December 2016, the Paramount Board declared a dividend in respect of Paramount's remaining 3.8 million shares ("**7G Shares**") of Seven Generations Energy Ltd. ("**7G**") to holders of record of Paramount Shares on January 9, 2017 (the "**January 2017 Dividend**"), resulting in an entitlement of approximately 0.036 of a 7G Share for each Paramount Share, subject to rounding for fractions. The dividend was paid on January 16, 2017. The closing trading price of the 7G Shares on the TSX on January 13, 2017, the last trading day before the dividend was paid, was \$26.27.

Other than the January 2017 Dividend, Paramount has not declared a dividend in the last three fiscal years. Paramount currently has no plans to pay a dividend in the future. Any future dividends will be dependent upon the financial requirements of Paramount to reinvest earnings, the financial condition of Paramount and other factors which the Paramount Board may consider appropriate.

Prior Sales

During the past twelve month period, the only Paramount Shares and securities convertible or exchangeable into Paramount Shares issued were: (i) 603,900 Paramount Shares issued upon exercise of options to acquire Paramount Shares at exercise prices ranging from \$8.17 to \$13.02 and having a weighted average exercise price of \$8.27 per share; and (ii) the issuance of options to acquire an aggregate of 2,165,000 Paramount Shares at exercise prices ranging from \$12.30 to \$19.46 and having a weighted average exercise price of \$18.15 per share.

Prior Distributions and Purchases by Paramount

Paramount has not issued any Paramount Shares during the five years prior to the date of this Circular, other than as set out below:

- On April 23, 2015, Paramount issued 900,000 Paramount Shares at a price of \$41.35 per share on a flow-through basis in respect of Canadian exploration expenses (“**CEE**”) for gross proceeds of \$37.2 million.
- On July 9, 2014, Paramount issued 4,600,000 Paramount Shares at a price of \$60.00 per share and a further 900,000 Paramount Shares on a flow-through basis in respect of CEE at a price of \$74.40 per share for aggregate gross proceeds of \$342,960,000.
- On July 9, 2014, Paramount issued, through a non-brokered private placement, 100,000 Paramount Shares on a flow-through basis in respect of CEE to Clayton H. Riddell for gross proceeds of \$7,440,000.
- On October 16, 2013, Paramount issued 1,115,000 Paramount Shares on a flow-through basis in respect of CEE at a price of \$44.00 per share for gross proceeds of \$49,060,000.
- On October 16, 2013, Paramount issued, through a non-brokered private placement, 227,273 Paramount Shares on a flow-through basis to Clayton H. Riddell and James H.T. Riddell and/or companies controlled by them for gross proceeds of approximately \$10 million as well as 22,727 Paramount Shares to certain other directors, officers and employees of Paramount and other persons for gross proceeds of approximately \$1 million.
- On May 22, 2013, Paramount issued 4,025,000 Paramount Shares by way of a public offering at a price of \$37.50 per share for gross proceeds of \$150,937,500.
- On October 2, 2012, Paramount issued 2,292,000 Paramount Shares, 1,936,000 of which were issued as CEE flow-through shares at a price of \$31.00, with the remaining 356,000 shares issued as Canadian development expense (“**CDE**”) flow-through shares at a price of \$28.15 for gross proceeds of \$70,037,400.
- On September 21, 2012, Paramount issued, through a private placement, 1,890,000 Paramount Shares to Clayton H. Riddell or companies controlled by him, 646,000 of which were issued as CEE flow-through shares at a price of \$31.00 per share and 1,244,000 of which were issued as CDE flow-through shares at a price of \$28.15 per share for gross proceeds of \$55,044,600.

Paramount implemented a normal course issuer bid (“**NCIB**”) on October 13, 2016. The NCIB will terminate on the earlier of: (i) October 12, 2017; and (ii) the date on which the maximum number of

Paramount Shares that can be acquired pursuant to the NCIB are purchased. Purchases of Paramount Shares under the NCIB will be effected through the facilities of the TSX or alternative Canadian trading systems at the market price at the time of purchase. Paramount may purchase up to 5,441,602 Paramount Shares under the NCIB. Pursuant to the rules of the TSX, the maximum number of Paramount Shares that Paramount may purchase under the NCIB in any one day is 188,705 Paramount Shares. Paramount may also make one block purchase per calendar week which exceeds such daily purchase restriction, subject to the rules of the TSX. Any Paramount Shares purchased pursuant to the NCIB will be cancelled by Paramount. Any shareholder may obtain, for no charge, a copy of the notice in respect of the NCIB filed with the TSX by contacting Paramount at 403-290-3600. As of the date hereof, Paramount has purchased and cancelled 622,900 Paramount Shares pursuant to the NCIB at a cost of \$9.7 million. No further Paramount Shares will be purchased under the NCIB prior to the conclusion of the Paramount Meeting.

Market Trading Price and Volume

Paramount Shares trade on the TSX under the symbol “POU”. As of August 8, 2017 the closing price of Paramount Shares on the TSX was \$19.70. The following table sets out the trading price and volume of Paramount Shares:

	Price Range (\$ per share)		Trading Volume
	High	Low	
2016			
July	13.23	10.50	21,781,042
August	14.01	11.55	8,442,765
September	15.79	13.64	10,691,717
October	17.64	14.67	11,009,609
November	17.94	13.43	8,694,850
December	19.25	17.34	6,409,055
2017			
January	18.55	15.95	7,323,135
February	18.92	15.23	5,545,617
March	18.06	14.60	5,664,952
April	19.03	16.55	6,352,686
May	22.41	15.96	7,337,244
June	21.45	18.55	9,894,772
July	20.49	17.01	6,574,755
August 1-8	20.28	19.09	2,926,173

Ratings

On July 7, 2017, Standard & Poor’s Rating Services (“**S&P**”) assigned a “Company Rating Outlook” to Paramount of “B-” on credit watch with positive implications. A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner with respect to both interest and principal commitments. S&P’s credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. According to S&P’s rating system, an obligation rated “B” is more vulnerable to non-payment than those rated “BB”, but the obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor’s capacity or willingness to meet its financial commitment on the obligation. The ratings from AA to CCC may be modified by the addition of a plus (+) or a minus (-) sign to show relative standing within the major rating categories. In addition, S&P may add a rating outlook of “positive”, “negative” or “stable” which assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years).

Significant Acquisitions

Paramount has not completed any acquisitions within the past 75 days of the date hereof that are “significant acquisitions” for the purposes of Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”), nor does Paramount have any proposed acquisitions that have progressed to

the point that a reasonable person would believe that the likelihood of the acquisition being completed is high and which would constitute a “significant acquisition” for the purposes of Part of NI 51-102, other than the Merger and the Apache Canada Acquisition described in this Circular.

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 Paramount'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 Paramount 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 and two long-term incentive programs comprised of stock incentive program ("**SIP**") awards and stock option grants. Paramount also on occasion pays discretionary cash bonuses to its NEOs where they have made material contributions in a particular fiscal year to Paramount's achievement of important objectives.

For the year ended December 31, 2016 Paramount's NEOs and their titles were:

Clayton Riddell, Executive Chairman
James Riddell, President and Chief Executive Officer ("**CEO**")
Bernard Lee, Chief Financial Officer
Mitchell Shier, General Counsel & Corporate Secretary, Manager, Land
Darrel Purdy, Corporate Operating Officer (Kaybob Corporate Operating Unit)

Paramount Performance and Compensation Decisions

2016 saw a continuation of the global oversupply of oil and gas and resulting depressed commodity price environment. Facing a third year of constrained cash flows, the North American oil and gas industry experienced significant stresses, but was also able to take key steps to reduce its cost structure and remain competitive. In the midst of this macro environment, Paramount's management was able to conclude two transformational transactions that allowed Paramount to completely de-lever its balance sheet and enter 2017 with over \$600 million in cash and an undrawn credit facility with which to execute its renewed growth plans. During the course of the year, Paramount also made major advances in its drilling and completion techniques that it believes have significantly enhanced the value of its remaining Montney acreage, in particular in the Karr-Gold Creek area in the Alberta Deep Basin.

The following discussion sets out in chronological order the compensation decisions that were made by compensation committee of the Paramount Board (the "**Compensation Committee**") during the course of 2016, which were responsive to both the ongoing challenges facing the North American oil and gas industry, and the significant results achieved by Paramount's CEO and other NEOs over the course of the year in dealing with those challenges.

In January 2016, Paramount's management, with the concurrence of the Compensation Committee, reduced the salaries of all Paramount officers and employees by 5%. In the case of senior management, this was in addition to a 5% salary reduction they took in 2015. In 2016, Paramount also continued the policy it initiated in 2015 of requiring all employees to take unpaid days off during the summer months. This meant that the CEO and other NEOs experienced a further 6% reduction in their salaries during what was for senior management one of the busiest years in Paramount's history from a transactional perspective.

In addition, as was the case in 2015, no SIP awards were granted to any of Paramount's management or employees in 2016.

Further, the option grants that would normally have occurred in mid-December 2015 were delayed until March 2016, as Paramount's management and Compensation Committee determined that they should not take place until Paramount was able to complete the negotiation of, and announce, the sale of its Musreau 8-13 Deep Cut Plant (the "**Deep Cut Plant**"). The sale transaction was announced on March 17,

2016, and resulted in Paramount receiving cash and other consideration in excess of \$600 million. As the March option awards were dependent on a 2016 event, their grant date fair value has been included in the CEO's and other NEOs' 2016 compensation amounts in this Circular even though the awards were primarily related to the NEOs' performance and contributions in 2015.

Negotiations spearheaded by the CEO resulted in Paramount completing another transformative transaction in mid-August 2016, the sale of its Musreau/Kakwa oil and gas assets 7G for total consideration of approximately \$2.1 billion (made up of cash, 7G shares and the assumption of Paramount debt). By December 2016 Paramount had sold the bulk of the 7G share consideration at favourable prices, and in January 2017 Paramount paid out by way of a dividend to Paramount Shareholders its remaining 7G shares (a return of value to Paramount Shareholders of almost \$1/share).

In pursuing and completing the Deep Cut Plant and Musreau/Kakwa sales, Paramount's management was able to crystallize significant value for Paramount and Paramount Shareholders in a very challenging environment. Paramount realized \$1.1 billion in full-cycle value from its Musreau Deep Basin Development as a result of these two sale transactions, and the consideration received from the sales (together with a further \$100 million paid to Paramount's wholly-owned oil sands subsidiary, Cavalier Energy, by an unrelated third-party, to acquire a royalty interest on its properties) allowed Paramount to exit 2016 with no debt, an undrawn \$100 million credit facility and over \$600 million in cash.

With material capital at its disposal and a more constructive commodity price environment to work in, Paramount re-commenced its exploration and development activities in earnest in the third quarter of 2016, focused on a 27 well Montney drilling program at Karr-Gold Creek. This program is benefiting from a wide range of drilling, completion and other operational improvements that Paramount has implemented, including longer horizontal legs, an increased number of fracture stages, greater proppant intensities, the use of slickwater completion fluids and the batch drilling of multi-well pads. The initial results from this program are demonstrating the positive impact of these improvements, not only in terms of increased well productivity but also continued reductions in drilling times and other operational efficiencies.

The transformational effect of the Deep Cut Plant and Musreau/Kakwa sale transactions, coupled with the material operational improvements Paramount has made to further unlock the value of its remaining Montney and other assets, resulted in a 195% annual return for Paramount Shareholders in 2016. This outperformance has continued in 2017 as further information on Paramount's Karr-Gold Creek drilling program and Paramount's 2017 guidance have been made public.

In recognition of the exceptional efforts put in by the CEO and the rest of Paramount's management team during 2016, and the outstanding results they achieved in crystallizing value for Paramount and re-positioning it for profitable growth, in December 2016 the Compensation Committee awarded:

- stock options consistent with previous years' awards; and
- cash bonuses to the members of Paramount's management team who were most directly involved in the Deep Cut Plant and Musreau/Kakwa sale transactions.

As indicated above, cash bonuses are not a core component of Paramount's compensation program and are only paid in extraordinary circumstances (with the most recent award prior to 2016 being in 2011). Unlike many of its competitors who make cash bonuses available on an annual basis, Paramount only awards cash bonuses in years when the CEO and other NEOs achieve exceptional results that directly and materially improve Paramount's business and prospects and enhance shareholder value. In the view of the Compensation Committee, those criteria were met in 2016. In addition, the aggregate amount of these bonuses was considered appropriate, totalling less than 1/10th of one percent of the consideration received by Paramount from the Deep Cut Plant and Musreau/Kakwa sale transactions.

Paramount's Compensation Committee believes that the compensation paid to Paramount's CEO and other NEOs in 2016 reflects the "at risk" nature of Paramount's compensation structure, and the resulting alignment that exists between Paramount's management and Paramount Shareholders. Base salaries were further reduced and there were no SIP awards. The increase in the NEOs' aggregate reported

compensation in fiscal 2016 over 2015 was attributable to (a) the inclusion of their March 2016 option grants, which were by necessity off-cycle; and (b) the awarding of discretionary cash bonuses for the NEOs' exceptional effort and results discussed above.

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 Paramount Shareholders. These features are described in more detail elsewhere in this *"Compensation Discussion and Analysis"* or in other sections of this Circular:

- Compensation is performance based with an emphasis on long-term incentive awards. Approximately 91% of the CEO's and 86% of the Executive Chairman's 2016 compensation was variable or "at risk" (with the variable or "at risk" portion of compensation for the other NEOs ranging from approximately 73% to 80% 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 the approval of Paramount Shareholders (which has never been sought).
- Cash bonuses are only occasionally awarded based on material contributions having been made to the achievement of major corporate objectives.
- 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 NEOs.

The alignment of interests between Paramount's executives and Paramount Shareholders is further strengthened by the fact that Paramount's Executive Chairman and CEO collectively own or control, directly or indirectly, approximately 45.84% of the Paramount 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, Paramount's total shareholder return ("TSR"), the compensation practices and performance of its peer group, and Paramount's corporate and operating results as well as its progress in advancing its overall corporate strategy. The individual performance of each of the NEOs is also assessed. Specific factors that Paramount's Compensation Committee considered in determining 2016 compensation are set out in the preceding discussion and elaborated on below. In the first part of 2016, the Committee focused on the need for continued cost cutting measures to deal with the ongoing slump in commodity prices. In the latter part of the year the Committee's focus shifted to recognizing the results achieved by Paramount's management team over the course of the year in advancing Paramount's drilling, completions and other operations, and concluding two transformational transactions that crystallized significant value for Paramount, de-levered its balance sheet and put Paramount back in a position to profitably grow and create further shareholder value. 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 the Paramount Shareholders.

Base Salary

2016 Base Salaries	
NEO	Salary
Clayton Riddell	\$361,522
James Riddell	\$379,598
Bernard Lee	\$301,977
Mitchell Shier	\$276,458
Darrel Purdy	\$263,698

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 Paramount's business objectives.

Weighed against these considerations has been the need for Paramount to manage general and administrative and other costs in the current depressed commodity price environment. As previously indicated, the NEOs have experienced two 5% reductions in their base salaries since the start of 2015, and further 6% annual reductions as a result of the mandatory unpaid days off program Paramount implemented in summer 2015 and 2016. Accordingly, the NEOs' 2016 base salaries were in aggregate 15% below the levels they were at in January 2015. Further, no salary increases were awarded for 2017.

Stock Incentive Program

As mentioned above, no SIP awards were made to the NEOs in either 2015 or 2016.

Generally, however, the objective of the SIP in years when it is awarded is to reward officers and employees of Paramount who have met or exceeded their goals and contributed to the financial and operational success of Paramount. By encouraging Paramount's officers and employees to have an ongoing investment in the Paramount Shares, the SIP is also intended to further align them with the goal of creating long-term shareholder value. SIP grants are in the form of entitlements to Paramount Shares, one-third of which vest immediately, one-third of which vest on the first anniversary of the grant and the final one-third of which vest on the second anniversary of the grant (with the exception of SIP grants to the Executive Chairman and CEO which vest immediately). As the value of the Paramount Shares increases or decreases, the value of the SIP awards also increases or decreases, thereby aligning the interests of Paramount's officers and employees with those of Paramount Shareholders. Paramount believes the delayed vesting of SIP awards that are made to officers and employees who are responsible for managing Paramount'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 Paramount Shareholders. As both the Executive Chairman and CEO are major Paramount Shareholders, it is not necessary for there to be a delayed vesting feature in their SIP awards to ensure that their interests are aligned with Paramount's other shareholders.

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

Option Plan

Number of Stock Options Granted in 2016		
NEO	March 19, 2016	December 7, 2016
Clayton Riddell	294,700	200,000
James Riddell	400,000	200,000
Bernard Lee	119,500	100,000
Mitchell Shier	99,300	75,000
Darrel Purdy	106,000	40,000

Paramount has a share option plan currently in place (the “**Option Plan**”). 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 Paramount Shares, which also serves to directly align their interests with those of the Paramount 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 Paramount.

As previously indicated, the March 2016 option grants were originally scheduled to occur in mid-December 2015 (when Paramount typically grants options), but were delayed because Paramount’s management and Compensation Committee believed the grants should only take place after the Deep Cut Plant sale had been negotiated and announced. As these options were granted in 2016, their grant date fair values have been included in the NEOs’ 2016 compensation amounts in this Circular, even though the awards were to a significant degree in respect of the NEOs’ 2015 performance and contributions. Factors that were considered in making the March option awards included:

- Paramount’s continued progress in growing overall production and liquids volumes during 2015 (which were up over 80% and 180%, respectively, from 2014 levels);
- reducing operating costs (down over 30% on a year-over-year basis), with reasonable finding and development costs; and
- the significant efforts made by the CEO and other NEOs over the course of 2015, in an extremely challenging commodity price environment, to identify and pursue alternative means of securing the capital needed to fund Paramount’s ongoing activities (one of which was a midstream asset monetization strategy which ultimately led to the Deep Cut Plant sale).

A further factor that was taken into account in determining the size and terms of the March option grants was the need to provide ongoing incentives to Paramount’s management and employees to preserve and enhance shareholder value at a time when their salaries were being reduced and Paramount was foregoing SIP awards (in order to avoid the associated cash costs to Paramount in making such awards). These considerations resulted in the March stock option grants having a vesting period of slightly less than four years (with 20% of the options vesting on the date of the grant), in order to provide the NEOs with some more medium-term (as opposed to long-term) incentives as part of their compensation package.

The primary factors that were taken into account in making the December 2016 option awards have been highlighted above. They include the central role played by the CEO, with support from the NEOs and other members of Paramount’s management team, in negotiating and closing the Deep Cut Plant and Musreau/Kakwa sale transactions. They also include the CEO’s leadership role in pursuing the drilling, completion and other operational improvements that are being successfully implemented in Paramount’s Karr-Gold Creek drilling program. In its deliberations, the Compensation Committee was also cognizant of the fact that these accomplishments resulted in Paramount having a one-year TSR of 195%.

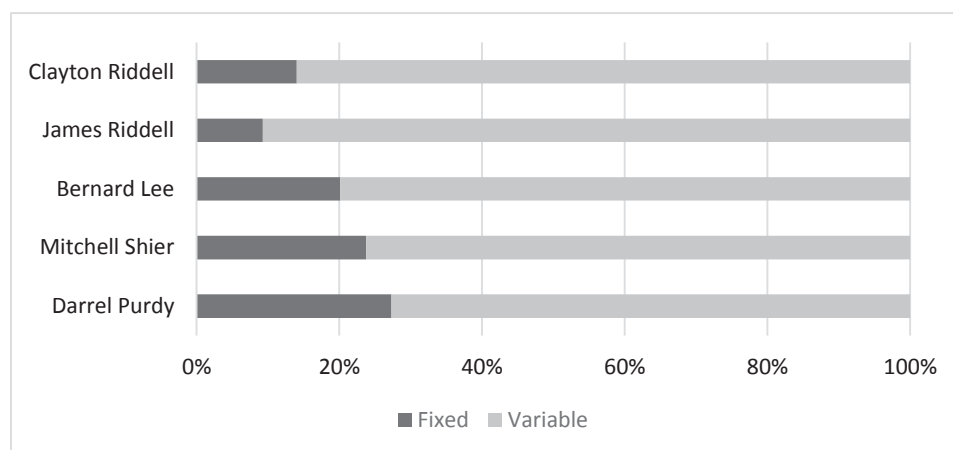
Cash Bonuses

From time to time, Paramount rewards its top-performing NEOs with cash bonuses for making material contributions to projects and transactions that further Paramount’s goal of long-term value creation for Paramount Shareholders. Cash bonuses are extraordinary awards and are not considered to be a primary component of Paramount’s compensation program. Prior to the current awards, the last time cash bonuses were paid was for fiscal 2011. As discussed above, in reviewing Paramount’s accomplishments during 2016 the Compensation Committee felt that cash bonuses were warranted to recognize the

outstanding efforts of the CEO and other NEOs in executing two major transactions, in a very difficult environment, that resulted in Paramount realizing \$1.1 billion in full-cycle value on its Musreau Deep Basin development, re-positioned Paramount for renewed growth in 2017 and beyond, and helped generate a 195% annual return for the Paramount Shareholders.

Compensation Mix

In determining compensation awards to be made to Paramount'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 2016.



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 Paramount against for performance and compensation purposes. In 2016 the following peers were selected:

Advantage Oil and Gas Ltd.	Baytex Energy Corp.	Birchcliff Energy Ltd.
Bonavista Energy Corp.	Crew Energy Inc.	Enerplus Corp.
NuVista Energy Ltd.	Pengrowth Energy Corp.	Penn West Petroleum Ltd.
Peyto Exploration & Development Corp.	TORC Oil and Gas Ltd.	Trilogy Energy Corp.
Whitecap Resources Inc.		

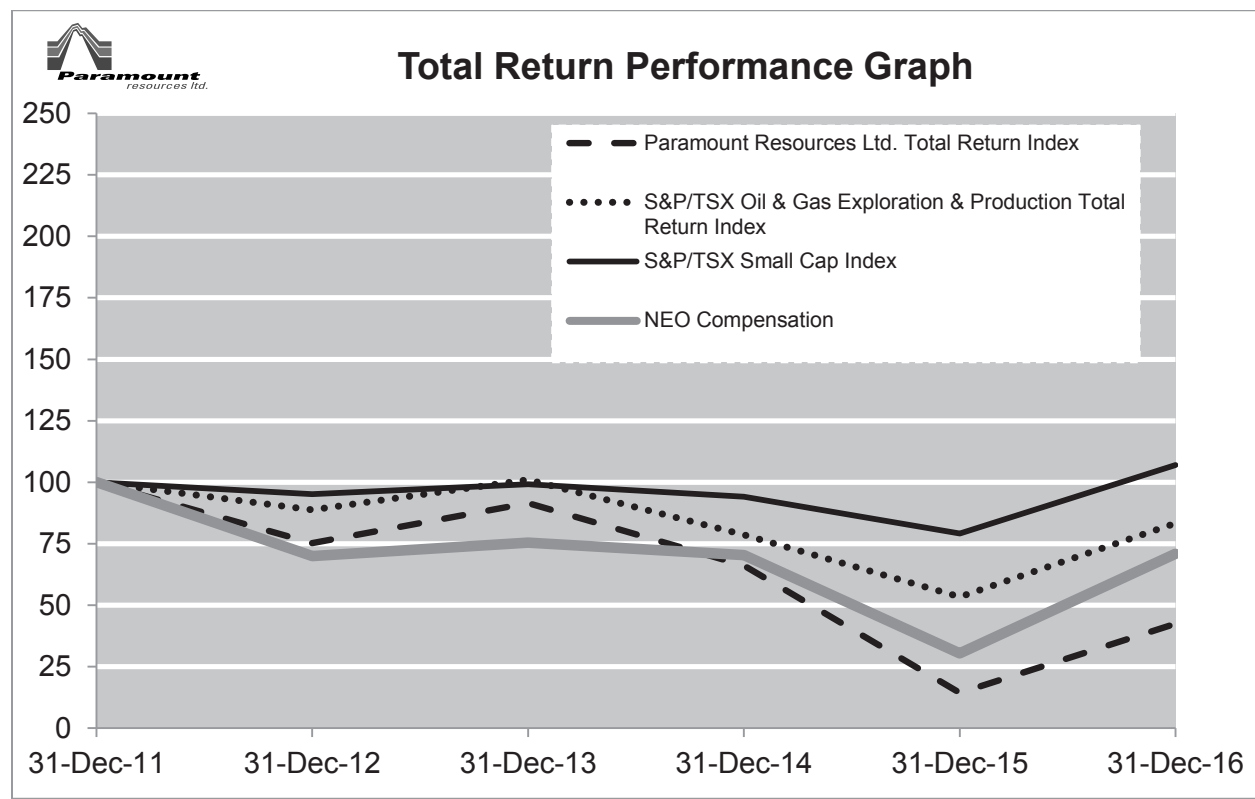
Paramount's Market Capitalization vs. Peer Group	
	December 31, 2016 Market Capitalization (Millions)
Peer Group 25 th Percentile	\$1,191
Peer Group Median	\$1,382
Peer Group 75 th Percentile	\$2,467
Paramount	\$1,910
Percentile Rank December 2016	69th Percentile

As part of its annual process of setting executive compensation, Paramount takes into account the compensation paid to the NEOs of this 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 this peer group and its growth prospects and performance as compared to them. Paramount's 1, 3 and 5-year annual average returns compared to the peer group's average were as follows:

Paramount's Annual Average Return vs. Peer Group Average		
	Paramount	Peer Group
1-Year	195%	89%
3-Year	-23%	-10%
5-Year	-16%	-10%

Total Return Performance Graph

The following graph compares the cumulative TSR for Paramount on the Toronto Stock Exchange of \$100 invested in Paramount Shares on December 31, 2011 with the total returns over the same five-year period of the S&P/TSX Oil & Gas Exploration & Production Total Return Index and the S&P/TSX Small Cap Index. It also shows the percentage change in the total reported compensation of Paramount's NEOs during this same five-year period.



	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16
Paramount Resources Ltd. Total Return	100	75	91	66	14	43
S&P/TSX Oil & Gas Exploration & Production Total Return Index	100	89	101	79	53	83
S&P/TSX Small Cap Index	100	95	99	94	79	107
NEO Compensation	100	70	75	70	30	71

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 increased during periods when Paramount'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).

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 table on page 19 of this Circular and used in the Total Return Performance Graph above) for each of 2014, 2015 and 2016 with the NEOs' realizable compensation for each of those years. The NEOs' realizable compensation in respect of these years differs from their reported compensation in that it uses the December 31, 2016 "in the money" value of the stock options granted to them in 2014, 2015 and 2016 (as set out in the table on page 20 of this Circular) as opposed to the grant date fair value of those options (which was calculated using a Black-Scholes model). It should be noted that the majority of the realizable value of Paramount's 2016 option awards is attributable to options that remained unvested and un-exercisable at December 31, 2016. In addition, it should be kept in mind that the 2016 reported and realizable values for option awards include the full grant date fair values of both the March 19, 2016 and December 7, 2016 option grants, even though the March awards were to a significant degree in relation to the NEOs' 2015 contributions and performance (but with a further consideration affecting the size and terms of the March grants being the need to provide ongoing incentives to Paramount's officers and employees at a time when their salaries were being reduced and Paramount was foregoing SIP awards).

	2016		2015		2014	
Compensation Type	Reported	Realizable	Reported	Realizable	Reported	Realizable
Options	7,562,820	10,093,050	3,284,346	nil	6,258,000	nil
SIP awards	nil	nil	nil	nil	2,627,365	2,647,564
Base Pay	1,583,253	1,583,253	1,263,582	1,263,582	1,816,250	1,816,250
Cash Bonuses	1,600,000	1,600,000	nil	nil	nil	nil
All Other Compensation	79,163	79,163	89,487	89,487	60,675	60,675
Total	10,825,236	13,355,466	4,637,415	1,353,069	10,762,290	4,524,489

Compensation Governance

The Compensation Committee is governed by a charter (the "**Compensation Committee Charter**"). 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 Paramount Board compensation policies and general human resources policies and guidelines concerning employee compensation and benefits;
- (b) to ensure that Paramount 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 Paramount, 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 in Paramount (in the latter case after considering the recommendations of the Executive Chairman and CEO), all in accordance with Paramount'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 Paramount'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 Paramount's broad policies on compensation for all employees and overall labour relations strategy for employees; and
- (h) to report regularly to the Paramount Board on all of the Committee's activities and findings during that year.

The Compensation Committee will be reconstituted following the closing of the Merger but is currently composed of the following directors: Mr. John Gorman, Mr. John Roy and Mr. James Bell. Messrs. Gorman, Roy and Bell are all independent directors. Messrs. Gorman and Roy have extensive managerial and executive experience dealing with employee performance and compensation (see the brief biography for each member below). Each of Messrs. Gorman and Roy has worked in excess of 25 years in the oil and gas industry or in businesses related thereto, 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 role as General Counsel for his current 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 Gorman

Mr. Gorman was the President and CEO of an energy trading, marketing and financial services company from 1996 to 2000 and prior to that worked for 25 years for the Bank of Montreal, where the final position he held was Senior Vice President, Natural Resources Group. Over his career, Mr. Gorman has held a number of senior management positions in Canada as well as internationally in London, Mexico and Singapore. Throughout his executive career, Mr. Gorman was directly involved in compensation matters, including salary and bonus administration, for executives and senior managers reporting to him, as well as oversight responsibility for compensation matters relating to more junior staff. Mr. Gorman has a Bachelor of Arts degree from the University of Ottawa and a Master of Business Administration degree from the University of Western Ontario.

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.

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.
- For four of the five NEOs', 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.

SIP Awards

The Compensation Committee believe the SIP awards do not encourage inappropriate or excessive risk taking for the following reasons. As previously noted, no SIP awards were made to the NEOs in either 2015 or 2016.

- Paramount's SIP awards are variable at-risk components of compensation and unlike traditional annual cash bonuses SIP awards are share awards. This encourages an ownership mentality among all recipients.
- The SIP's delayed vesting provisions (three 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 only vesting after the first year. This motivates the achievement of long-term sustainable objectives and aligns recipient's interests with Paramount 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.

Cash Bonuses

The Compensation Committee has concluded that Paramount's discretionary cash bonuses should not encourage excessive risk taking by NEOs for the reasons below:

- Cash bonuses 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.
- Cash bonuses are awarded infrequently.

Anti-Hedging Policy

Paramount 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 2014, 2015 and 2016 by Paramount's NEOs.

Name and Principal Position	Year	Salary (\$)	Share-based awards ⁽¹⁾ (\$)	Option-based awards ⁽²⁾ (\$)	Non-equity incentive plan compensation (\$)	All other compensation ⁽³⁾ (\$)	Total compensation ⁽⁴⁾ (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(h)	(i)
Clayton Riddell ⁽⁵⁾ Executive Chairman	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
	2014	425,000	532,610	1,564,500	nil	12,135	2,534,245
James Riddell ⁽⁵⁾ President & CEO	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
	2014	446,250	1,864,135	2,086,000	nil	12,135	4,408,520
Bernard Lee Chief Financial Officer	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
	2014	340,000	81,276	1,043,000	nil	12,135	1,476,411
Mitchell Shier Corporate Secretary	2016	276,458	nil	830,688	100,000	13,823	1,220,969
	2015	293,374	nil	86,222	nil	22,003	401,599
	2014	315,000	75,045	782,250	nil	12,135	1,184,430
Darrel Purdy Corporate Operating Officer	2016	263,698	nil	637,160	100,000	13,185	1,014,043
	2015	234,467	nil	152,084	nil	17,585	404,136
	2014	290,000	74,299	782,250	nil	12,135	1,158,684

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 SIP during the applicable year. These values were calculated by multiplying the number of share units comprised in each NEO's SIP award by the weighted average price of the Paramount 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 Purdy, one-third of their share units vest immediately on the grant date, one-third vest on the first anniversary of the grant date and the final one-third vest on the second anniversary of the grant date.
- (2) As previously discussed, 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. These 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. 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 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); Mitchell Shier (\$363,438 and \$467,250); and Darrel Purdy (\$387,960 and \$249,200).
- (3) These amounts are contributions made by Paramount in respect of RRSPs.
- (4) 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 2014 through 2016. 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 for Messrs. Lee and Purdy shown in column "i" for 2014 reflects the fact that they participated in a voluntary unpaid Friday off program that was implemented by Paramount during the summer months, and the total compensation for all NEOs in 2015 and 2016 reflect the fact that Paramount's offices were closed for 17 unpaid days during the summer months.
- (5) Messrs. Clayton Riddell and James Riddell do not receive compensation in their capacity as directors of Paramount.

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, 2016.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of unvested shares (#)	Market or payout value of unvested share-based awards ⁽¹⁾ (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Clayton Riddell	200,000	18.23	April 30, 2022	nil	nil	nil	nil
	294,700	8.17	April 30, 2020	2,917,530	nil	nil	nil
James Riddell	200,000	18.23	April 30, 2022	nil	nil	nil	nil
	400,000	8.17	April 30, 2020	3,960,000	nil	nil	nil
Bernard Lee	100,000	18.23	April 30, 2022	nil	nil	nil	nil
	119,500	8.17	April 30, 2020	1,183,050	nil	nil	nil
Mitchell Shier	75,000	18.23	April 30, 2022	nil	nil	nil	nil
	99,300	8.17	April 30, 2020	983,070	nil	nil	nil
Darrel Purdy	40,000	18.23	April 30, 2022	nil	nil	nil	nil
	106,000	8.17	April 30, 2020	1,049,400	nil	nil	nil

Notes:

- (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 SIP awards, respectively, held by the NEOs as at December 31, 2016. These amounts were calculated using the \$18.07 closing trading price of the Paramount Shares on December 30, 2016, the last trading day of the year.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table shows the options and SIP grants for NEOs that vested during 2016.

Name	Option-based awards – Value vested during the year (\$)	Share-based Awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
(a)	(b)	(c)	(d)
Clayton Riddell	521,030	nil ⁽¹⁾	nil
James Riddell	707,200	nil ⁽¹⁾	nil
Bernard Lee	211,276	3,429 ⁽²⁾	nil
Mitchell Shier	175,562	3,166 ⁽²⁾	nil
Darrel Purdy	187,408	3,139 ⁽²⁾	nil

Notes:

- (1) No share units were awarded in 2015 or 2016 and, as all share units awarded to Messrs. Clayton Riddell and James Riddell vest immediately, they had none vesting in 2016 from previous years.
- (2) The values shown for Messrs. Lee, Shier, and Purdy were calculated by taking the number of Paramount Shares comprised in their 2014 SIP awards that vested in 2016 and multiplying those numbers by the closing trading price of the Paramount Shares on the vesting date. The vesting date was April 15, 2016, and the closing trading price of the Paramount Shares on that date was \$6.75.

INCENTIVE PLANS

SIP

General Information

Under Paramount's SIP, officers and other permanent employees are entitled to receive awards of rights to Paramount Shares, referred to as share units. The share units vest over time except for grants to the Executive Chairman and CEO which vest immediately. The SIP awards are granted annually at the discretion of Paramount's Compensation Committee and are subject to corporate and individual targets being met. Typically awards will be calculated in February or March following the completion of the previous fiscal year and are granted to eligible employees in April.

Paramount Shares awarded under the SIP are acquired through the facilities of the TSX by a third-party custodian. Neither management nor the Paramount 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 Paramount Shares or the choice of broker through which purchases are to be made.

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 SIP is substantially the same as that under the Option Plan (see below). In the event of a change of control or a sale by Paramount of all or substantially all of its assets, the Compensation Committee may determine, in its sole discretion, to accelerate the vesting of unvested share units.

Adjustments

In the event of any: (i) change in the Paramount Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; (ii) rights granted to Paramount Shareholders to purchase Paramount Shares at prices substantially below fair market value; or (iii) dividends or distributions, the Paramount Board or the Compensation Committee may make such adjustments to the SIP and to any awards outstanding as they in their sole discretion consider appropriate.

SIP Administration

The SIP is administered by Paramount's Compensation Committee on behalf of the Paramount Board. The Compensation Committee has the sole and absolute discretion to interpret and administer the SIP, establish, amend and rescind any rules and regulations relating to the SIP and make any other determinations that the Compensation Committee deems necessary or desirable for the administration of the SIP.

Amendment

The Compensation Committee may revise or amend the terms of the SIP from time to time, should business circumstances warrant. The Paramount Board and the Compensation Committee also have the discretion to terminate the SIP at any time. If the SIP is terminated, the provisions of the SIP in force at that time will continue in effect as long as any awards of share units remain unvested. Any amendment to the SIP 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 awards.

Option Plan

General Information

The Option Plan enables the Paramount Board (or the Compensation Committee on behalf of the Paramount Board) to grant to key employees, officers and non-management directors options to acquire Paramount Shares. Under the terms of the Option Plan, the number of Paramount Shares reserved for issuance cannot exceed 10% of the issued and outstanding Paramount Shares from time to time. The maximum number of Paramount Shares that may be reserved for issuance to insiders pursuant to options granted under the Option Plan and any other share based compensation arrangement, in the aggregate and within any one-year period, is 10% of the outstanding Paramount Shares. The maximum number of Paramount Shares that may be issued to any one insider (and such insider's associates) under the Option Plan and any other share-based compensation arrangement within a one-year period is 5% of the outstanding Paramount Shares.

Exercise Provisions

The exercise price of an option cannot be less than the closing market price of the Paramount Shares on the TSX on the trading day preceding the date of grant. To exercise, optionholders may either exercise their options for Paramount Shares or, if Paramount 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 Paramount Shares in respect of which the options are surrendered. Upon the surrender of options, the right to the underlying Paramount 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 options to the extent the holder was entitled at the date of death.

Option Vesting and Term

The Option Plan provides that options grants can be made for a term not exceeding 10 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 2022. The outstanding and unvested options granted in December have five-year vesting schedules while those granted in March 2016 have four-year vesting schedules.

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 60 days from the date of such termination, or such shorter or longer period (not to exceed three years), as may be otherwise determined by the Paramount Board and specified in an option agreement to exercise his or her then remaining vested number of options. In the event of the death of an optionholder, his or her 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 Paramount 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 Paramount 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 Paramount Shares; (ii) the passing of a resolution by the Paramount Board or Paramount Shareholders to substantially liquidate or wind up the business or significantly rearrange Paramount's affairs; or (iii) a change to the majority of the Paramount 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 Paramount 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 Paramount's Paramount Shares, the Paramount Board, in their sole discretion, may accelerate the vesting of any outstanding options so that all unvested options vest and become exercisable.

Amendment

The Option Plan may be amended, suspended or discontinued by the Paramount Board at any time provided that no such amendment may adversely alter or impair any option previously granted without the consent of the holder thereof. Any amendment to the Option Plan is subject to any required approval of the TSX and Paramount Shareholders. However, amendments relating to the following matters may be approved by the Paramount Board without the approval of Paramount Shareholders, provided that such amendments do not contravene the requirements of the TSX or applicable securities law: (i) altering, extending or accelerating the terms and conditions of vesting applicable to any options or group of options; (ii) changing the termination provisions of any options, provided that the change does not entail an extension beyond the original expiry date of such options; (iii) accelerating the expiry date of options; (iv) determining the adjustment provisions pursuant to the Option Plan; (v) amending the definitions in the Option Plan and other amendments of a "housekeeping" nature; and (vi) amending or modifying the mechanics of exercise of options.

As at March 20, 2017, there were options to acquire 3,910,700 Paramount Shares outstanding under the Option Plan, representing approximately 3.68% of the total number of outstanding Paramount Shares as at such date.

In 2016, options to acquire 4,565,100 Paramount Shares were granted under the Option Plan representing 4.3% of the Paramount Shares outstanding as at December 31, 2016.

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, 2016, there was an aggregate of 4,322,120 options outstanding under the Option Plan, the details of which are as follows:

Plan Category	Number of securities to be issued upon exercise of outstanding options as at December 31, 2016	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, 2016
Equity compensation plans approved by securityholders – Option Plan	4,322,120	\$13.00	6,125,439
Equity compensation plans not approved by securityholders	None	None	None
Total	4,322,120	\$13.00	6,125,439

TERMINATION AND CHANGE OF CONTROL BENEFITS

Messrs. Clayton Riddell and James Riddell do not have written employment contracts. Messrs. Lee, Purdy and Shier have employment letter agreements; however, Messrs. Lee and Purdy's employment letter agreements do not contain any provisions dealing with termination, retirement, resignation or a change of control. Accordingly, all rights or entitlements of Messrs. Clayton Riddell, James Riddell, Lee and Purdy 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 SIP awards and option grants governed by the applicable provisions of the SIP and Option Plan. As discussed above, Paramount's SIP and Option Plan provide that upon a change of control, a sale by Paramount of all or substantially all of its assets or an offer being made for all of the Paramount Shares the vesting of all unvested SIP share rights and options may be accelerated in the sole discretion of the Compensation Committee (in the case of the SIP) or the Paramount 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 SIP awards also vest. Mr. Shier otherwise has the same rights and entitlements as Messrs. Clayton Riddell, James Riddell, Lee and Purdy. Based on Mr. Shier's 2016 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, 2016.

	Severance	Option Benefits	SIP Benefits	Total
Mitchell Shier	\$614,561 ⁽¹⁾	\$393,228 ⁽²⁾	nil ⁽³⁾	\$1,007,789

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 SIP benefit is the dollar amount payable to Mr. Shier assuming all his SIP awards scheduled to vest in the 24 months following December 31, 2016 vested and were sold on December 31, 2016. 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 2016. It should be noted that the majority of the value of the directors' option based awards is attributable to options that remained unvested and un-exercisable at December 31, 2016.

Name (a)	Year	Fees earned (\$) (b)	Option-based Awards ⁽¹⁾ (\$) (d)	Total Compensation ⁽²⁾ (\$) (h)
James Bell	2016	39,108	148,350	187,458
	2015	40,500	nil	40,500
	2014	41,750	104,300	146,050
John Gorman	2016	48,883	148,350	197,233
	2015	42,000	nil	42,000
	2014	43,250	104,300	147,550
Dirk Jungé	2016	34,856	148,350	183,206
	2015	30,000	nil	30,000
	2014	34,500	104,300	138,800
David Knott	2016	23,165	148,350	171,515
	2015	27,500	nil	27,500
	2014	32,000	104,300	136,300
Susan Riddell Rose	2016	26,354	148,350	174,704
	2015	23,750	nil	23,750
	2014	27,500	104,300	131,800
John Roy	2016	41,234	148,350	189,584
	2015	53,000	nil	53,000
	2014	54,250	104,300	158,550

Notes:

- (1) 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). These 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. 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 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.
- (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 2014, 2015 or in 2016. 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 2014, 2015 or in 2016.

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 2016. These fees were set at the December 2015 meeting of the Compensation Committee (after consultation with all independent directors) in advance of the 2016 fiscal year and, in accordance with Paramount'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 Paramount Board, committee or Paramount Shareholders' meeting he or she attended, and \$425 for each written Paramount 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 2016 was \$238,466 (which included \$24,866 paid to Thomas Clausus who was a director during the first portion of fiscal 2016). The directors' 15% fee reduction in 2016 was largely offset by an increase in the number of Paramount Board meetings and resolutions in 2016 vs. 2015 given how busy Paramount was from a transactional perspective. In addition, Mr. Gorman's fees were increased, and Mr. Roy's fees were reduced, as a result of Mr. Gorman having replaced Mr. Roy as lead director. Finally, Mr. Jungé's fees increased by virtue of his having become chair of Paramount's Environmental, Health & Safety Committee.

Option-based Awards

Paramount granted options to its non-management directors in March 2016 and December 2016 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, 2016.

Name (a)	Option-based Awards			
	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	18.23	April 30, 2022	nil
	15,000	8.17	April 30, 2020	148,500
John Gorman	15,000	18.23	April 30, 2022	nil
	15,000	8.17	April 30, 2020	148,500
Dirk Jungé	15,000	18.23	April 30, 2022	nil
	9,000	8.17	April 30, 2020	89,100
David Knott	15,000	18.23	April 30, 2022	nil
	15,000	8.17	April 30, 2020	148,500
Susan Riddell Rose	15,000	18.23	April 30, 2022	nil
	15,000	8.17	April 30, 2020	148,500
John Roy	15,000	18.23	April 30, 2022	nil
	15,000	8.17	April 30, 2020	148,500

Notes:

- (1) These amounts were calculated using the \$18.07 closing trading price of the Paramount Shares on December 30, 2016, the last trading day of the year, 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.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table shows the options for non-management directors that vested during 2016.

Name (a)	Option-based awards – Value vested during the year (\$) (b)
James Bell	26,520
John Gorman	26,520
Dirk Jungé	26,520
David Knott	26,520
Susan Riddell Rose	26,520
John Roy	26,520

Notes:

- (1) 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 Paramount Shares having a value equal to at least three times their annual base retainer, and hold such Paramount Shares during his or her tenure.

Each of Paramount's current directors has acquired the requisite number of shares under this policy.

Indebtedness of Directors and Executive Officers

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

Interest of Informed Persons in Material Transactions

Except as otherwise disclosed in this Circular, there are no material interests, direct or indirect, of any director or executive officer, or any person who beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the voting rights attached to all outstanding securities of Paramount, or other Informed Person (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) in any transaction since January 1, 2016 or in any proposed transaction that has materially or will materially affect Paramount or any of its subsidiaries. See “*Interests of Certain Persons or Companies in the Merger*” in this Circular.

Risk Factors

Whether or not the Merger is completed, Paramount will continue to face many risk factors that it currently faces with respect to its business and affairs. An investment in Paramount Shares or other securities of Paramount is subject to certain risks which may differ from or be in addition to the risks applicable to an investment in Trilogy. Investors should carefully consider the risk factors described under the heading “*Risk Factors*” in the Paramount AIF, Paramount Annual MD&A and Paramount Interim MD&A, which are incorporated by reference in this Circular and available on SEDAR at www.sedar.com, in conjunction with the risk factors relating to the Merger discussed under the heading “*Other Information Relating To The Merger – Risk Factors*” in this Circular.

Auditor, Transfer Agent and Registrar

Paramount’s auditor is Ernst & Young LLP, Chartered Professional Accountants, located at Calgary City Centre Suite 2200, 215 2nd Street S.W., Calgary, Alberta T2P 1M4.

Paramount’s transfer agent and registrar is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

Additional Information

Additional information relating to Paramount is available under Paramount’s issuer profile on SEDAR at www.sedar.com. The most current financial information on Paramount is available in the interim financial statements and accompanying management’s discussion and analysis for the three and six months ended June 30, 2017, as well as the audited annual financial statements and accompanying management’s discussion and analysis for the year ended December 31, 2016, all of which can be accessed on SEDAR or on Paramount’s website at www.paramountres.com. In addition, Paramount Shareholders may request copies (at no charge) of the most recent interim and annual financial statements and accompanying management’s discussion and analysis, as well as Paramount’s Annual Information Form for the year ended December 31, 2016, from Paramount’s Corporate Secretary at Paramount’s head office at Bankers Hall West Suite 4700, 888 3rd Street S.W., Calgary, Alberta T2P 5C5, or by phone at (403) 290-3600.

APPENDIX I

INFORMATION CONCERNING TRILOGY ENERGY CORP.

Documents Incorporated by Reference

Information in respect of Trilogy has been incorporated by reference in this Appendix I from documents filed with the securities commissions or similar securities regulatory authorities in each province and territory of Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from Trilogy's Corporate Secretary, at Suite 1400, 332 6th Avenue S.W., Calgary, Alberta T2P 0B2. In addition, copies of the documents incorporated herein by reference may be obtained under Trilogy's issuer profile on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

The following documents of Trilogy, filed with the securities commissions or similar securities regulatory authorities in each province and territory of Canada, are specifically incorporated by reference into and form an integral part of this Circular:

- (a) Trilogy AIF;
- (b) Trilogy Management Information Circular dated March 9, 2017 in respect of Trilogy's annual general meeting of shareholders held on May 9, 2017;
- (c) the audited annual consolidated financial statements of Trilogy as at and for the years ended December 31, 2016 and 2015, together with the notes thereto;
- (d) Trilogy Annual MD&A;
- (e) the unaudited interim consolidated financial statements of Trilogy as at and for the three and six months ended June 30, 2017, together with the notes thereto;
- (f) Trilogy Interim MD&A; and
- (g) the Material Change Report of Trilogy dated July 14, 2017 in respect of the Merger.

Any documents of the type described in Section 11.1 of Form 44-101F1 – *Short Form Prospectus* filed by Trilogy with the applicable securities regulatory authorities subsequent to the date of this Circular and prior to the Trilogy Meeting shall be deemed to be incorporated by reference in this Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular.

Summary of the Business

Trilogy is incorporated under the Act. Trilogy and its wholly-owned subsidiary, 2059465 Alberta Ltd., are the only partners of Trilogy Energy, an Alberta partnership that holds all of Trilogy's oil and gas properties and associated assets. Trilogy holds 99.82% of Trilogy Energy, with the remaining approximately 0.18% held by 2059465 Alberta Ltd.

Trilogy's oil and gas properties are mainly located in the Kaybob and Grande Prairie areas of Alberta. Trilogy's geographically-concentrated assets are primarily high working interest properties that provide abundant low-risk infill drilling opportunities and good access to infrastructure and processing facilities, many of which are operated and controlled by Trilogy. Trilogy's oil and gas properties provide good opportunities for Trilogy to use evolving horizontal drilling and completion technology to exploit its assets.

Trilogy's exploration and development activities are funded primarily through cash flow generated from operations, bank financing and other equity or debt financings from time to time. Acquisitions by Trilogy may be similarly financed through internal cash flows, bank financing, and equity or debt financings.

Trilogy's head office and registered office is located at Suite 1400, 332 6th Avenue S.W., Calgary, Alberta T2P 0B2. Trilogy Common Shares are listed on the TSX under the symbol "TET".

Reserves and other Oil and Gas Information

The reserves and other oil and gas information contained herein is dated effective June 1, 2017. The reserves information provided below is derived from the McDaniel report dated June 13, 2017 (the "**Trilogy Energy Corp. Mid-Year Update**") for Trilogy's oil, natural gas and NGLs reserves attributable to Trilogy's properties. The Trilogy Mid-Year Update is an update to McDaniel's reserves report dated March 7, 2017 with an effective date of December 31, 2016, which is incorporated herein by reference. The evaluation or review, as applicable, by McDaniel was prepared in accordance with the standards included in the COGE Handbook and National Instrument 51-101.

The following tables set forth information relating to Trilogy's working interest share of reserves, net reserves after royalties, and estimated future net revenue as at June 1, 2017. The reserves are reported using forecast prices and costs. Columns and rows may not add due to rounding.

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

Reserves Information

Reserves Data – Forecast Prices and Costs

The following table summarizes Trilogy's reserves at June 1, 2017.

Reserves Category	Light Crude Oil and Medium Crude Oil		Heavy Crude Oil		Tight Oil	
	Gross ⁽¹⁾ (Mbbl)	Net ⁽²⁾ (Mbbl)	Gross ⁽¹⁾ (Mbbl)	Net ⁽²⁾ (Mbbl)	Gross ⁽¹⁾ (Mbbl)	Net ⁽²⁾ (Mbbl)
Proved						
Developed Producing	8,527.7	7,211.7	-	-	27.9	24.5
Non-producing	1,385.1	1,158.8	-	-	-	-
Undeveloped	5,896.1	5,174.5	-	-	-	-
Total Proved	15,809.0	13,545.0	-	-	27.9	24.5
Total Probable	9,777.2	8,056.4	-	-	15.3	12.6
Total Proved & Probable	25,586.2	21,601.4	-	-	43.2	37.1

Reserves Category	Conventional Natural Gas		Shale Gas		Natural Gas Liquids		Sulphur	
	Gross ⁽¹⁾ (MMcf)	Net ⁽²⁾ (MMcf)	Gross ⁽¹⁾ (MMcf)	Net ⁽²⁾ (MMcf)	Gross ⁽¹⁾ (Mbbl)	Net ⁽²⁾ (Mbbl)	Gross ⁽¹⁾ (Mlt)	Net ⁽²⁾ (Mlt)
Proved								
Developed Producing	209,918.1	198,841.4	10,975.3	10,332.8	6,223.4	4,680.7	17.4	14.5
Non-producing	9,418.6	8,893.9	-	-	507.3	351.1	-	-
Undeveloped	70,283.7	66,146.0	46,627.8	43,191.6	12,800.2	11,192.9	-	-
Total Proved	289,620.4	273,881.3	57,603.2	53,524.4	19,530.9	16,224.7	17.4	14.5
Total Probable	153,214.6	142,689.0	94,834.7	86,011.6	20,686.7	16,738.8	3.9	3.3
Total Proved & Probable	442,835.1	416,570.2	152,437.9	139,536.0	40,217.6	32,963.6	21.3	17.8

Notes:

(1) Gross reserves are working interest reserves before royalty deductions

(2) Net reserves are working interest reserves after royalty deductions plus royalty interest reserves

Net Present Value of Future Net Revenue – Forecast Prices and Costs

The following table summarizes the net present values of future net revenue attributable to Trilogy's reserves evaluated as at June 1, 2017. The net present values are reported before income tax and have been discounted using rates of 0 percent, 5 percent, 10 percent, 15 percent and 20 percent and on a net unit value basis at a discount rate of 10 percent before income taxes. Future Net Revenue does not represent fair market value.

Reserves Category	Net Present Value of Future Net Revenues					Unit Value Before Tax Discounted at 10% ⁽¹⁾ (\$/boe)
	Before Income Tax (discounted at)					
	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)	20% (M\$)	
Proved						
Developed Producing	785,568.2	612,039.6	502,378.5	428,327.9	375,455.3	10.74
Non-producing	30,846.6	25,415.8	21,185.9	17,946.9	15,447.3	7.08
Undeveloped	666,494.9	454,397.7	312,369.6	214,017.7	143,689.1	9.03
Total Proved	1,482,909.7	1,091,853.1	835,934.0	660,292.5	534,591.6	9.91
Total Probable	1,705,601.1	1,101,918.2	765,179.7	560,102.4	426,271.5	12.16
Total Proved plus Probable	3,188,510.8	2,193,771.3	1,601,113.7	1,220,395.0	960,863.2	10.87

Note:

(1) The unit values are based on net reserve volumes.

Total Future Net Revenue – Forecast Prices and Costs

The following table summarizes the total undiscounted future net revenue attributable to Trilogy's reserves evaluated at June 1, 2017.

Reserves Category	Revenue ⁽¹⁾ (M\$)	Royalties ⁽²⁾ (M\$)	Operating Costs (M\$)	Development Costs(M\$)	Well Abandonment and Reclamation Costs ⁽³⁾ (M\$)	Future Net Revenue Before Income (M\$)
Total Proved	3,992,292	448,797	1,339,645	621,797	99,144	1,482,910
Total Proved Plus Probable	7,591,619	960,564	2,203,117	1,114,461	124,966	3,188,511

Notes:

(1) Includes all product revenues and other revenues as forecast.

(2) Royalties includes any net profits interests paid, as well as the Saskatchewan Corporation Capital Tax Surcharge.

(3) The future net revenue disclosed above based on the Trilogy Energy Corp. Mid-Year Update does not contain an allowance for abandonment and reclamation costs for surface leases, facilities and pipelines.

Future Net Revenue by Product Type – Forecast Prices and Costs

The following table summarizes the net present value of future net revenue by product type on a unit value basis, before income tax, attributable to Trilogy's net reserves evaluated at June 1, 2017. Amounts have been discounted at 10 percent.

Reserves Category	Product Type	Future Net Revenue Before Income Tax (discounted at 10%) (\$M)	Unit Value ⁽¹⁾ (\$/Mcf \$/bbl)
Total Proved Reserves	Light and Medium Oil (Including Solution Gas and By-products)	415,099	30.67
	Conventional Natural Gas (Including By-products)	230,795	1.12
	Shale Gas (Including By-products)	190,039	3.55
	Total	835,934	
Total Proved & Probable Reserves	Light and Medium Oil (Including Solution Gas and By-products)	670,938	31.08
	Conventional Natural Gas (Including By-products)	343,590	1.11
	Shale Gas (Including By-products)	586,585	4.20
	Total	1,601,114	

Note:

(1) Unit values are calculated using the 10% discount rate divided by the product type net reserves for each group.

Summary of Pricing and Inflation Rate Assumptions

Pricing and inflation rate assumptions used in the Trilogy Corp. Mid-Year Update in calculating the net present value of future net revenue attributable to Trilogy's reserves are as follows:

Year	U.S. Henry Hub Gas Price US\$/MMBtu	Alberta Average Plantgate \$/MMBtu	Alberta AECO Spot Price \$/MMBtu	WTI Crude Oil US\$/bbl	Edmonton Light Crude Oil \$/bbl	Edmonton Cond. & Natural Gasolines \$/bbl	Edmonton Ethane \$/bbl	Edmonton Propane \$/bbl	Edmonton Butanes \$/bbl	Inflation ⁽¹⁾ %	US/CAN Exchange Rate ⁽²⁾ US\$/CAN
Forecast 2017											
(9 Months)	3.25	2.80	3.00	52.50	66.50	69.50	11.20	17.70	41.40	0.0	0.750
2018	3.05	2.65	2.85	56.10	69.40	72.50	10.60	21.00	45.80	2.0	0.775
2019	3.20	2.85	3.05	59.80	72.30	75.40	11.40	24.90	47.70	2.0	0.800
2020	3.45	3.15	3.35	66.30	77.80	81.00	12.60	26.90	54.10	2.0	0.825
2021	3.80	3.45	3.65	73.10	83.40	86.60	13.80	29.00	61.10	2.0	0.850
2022	4.00	3.70	3.90	77.30	88.30	91.60	14.80	30.80	64.70	2.0	0.850
2023	4.10	3.80	4.05	78.80	90.00	93.40	15.20	31.40	65.90	2.0	0.850
2024	4.15	3.85	4.10	80.40	91.80	95.20	15.40	32.00	67.30	2.0	0.850
2025	4.25	3.95	4.20	82.00	93.70	97.20	15.80	32.70	68.60	2.0	0.850
2026	4.35	4.05	4.30	83.70	95.60	99.20	16.20	33.40	70.00	2.0	0.850
2027	4.40	4.10	4.35	85.30	97.40	101.10	16.40	34.00	71.40	2.0	0.850
2028	4.50	4.20	4.45	87.00	99.40	103.10	16.80	34.70	72.80	2.0	0.850
2029	4.60	4.30	4.55	88.80	101.40	105.20	17.20	35.40	74.30	2.0	0.850
2030	4.70	4.40	4.65	90.60	103.50	107.40	17.60	36.20	75.80	2.0	0.850
2031	4.80	4.50	4.75	92.40	105.50	109.50	18.00	36.90	77.30	2.0	0.850

Notes:

(1) Inflation rates for forecasting prices and costs subsequent to 2031 were assumed to be 2% per year.

(2) Exchange rates used to generate the benchmark reference prices in this table.

Trilogy's realized natural gas price is based on prices received at the various markets in which it sells natural gas and is sold in a combination of daily and monthly contracts. Trilogy's natural gas sales portfolio primarily consists of sales priced at the Alberta spot market.

Oil producers negotiate sales contracts directly with purchasers, with the result that the market determines the price of oil. The price of natural gas and NGL are also determined by negotiations between buyers and sellers. The sales price received depends on quality, prices of competing fuels, distance to market, the value of refined products, supply/demand balance, and contract terms. The export of oil and natural gas is subject to rules and regulations set by the National Energy Board of Canada and the government of Alberta.

Trilogy's Canadian oil and NGL sales portfolio primarily consists of sales priced relative to Alberta and United States market indexes, adjusted for transportation and quality differentials.

Additional Information Relating to Reserves Data

Production Estimates

The following table summarizes the total estimated gross production from June 1, 2017 until December 31, 2017:

Trilogy Energy Corp. 2017 Production Estimate (7 Months) Forecast Prices and Costs as of June 1, 2017 Total Company		
Reserves Category	Product Type	Estimated Production (Gross)
Total Proved Reserves	Shale Gas (MMcf)	1,596
	Conventional Natural Gas (MMcf)	19,219
	Light and Medium Crude & Tight Oil (Mbbl)	1,222
	NGLs (Mbbl)	749
Total Production (Mboe)		5,440
Total Proved plus Probable Reserves	Shale Gas (MMcf)	1,656
	Conventional Natural Gas (MMcf)	20,667
	Light and Medium Crude & Tight Oil (Mbbl)	1,428
	NGLs (Mbbl)	784
Total Production (Mboe)		5,932

Future Development Costs

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

	Future Development Cost (undiscounted M\$)						Total
	2017E	2018E	2019E	2020E	2021E	Remaining	
Total Proved	87,827	256,449	217,824	49,291	10,405	-	621,797
Total Proved plus Probable	96,863	319,352	282,189	277,544	137,966	547	1,114,460

Description of Share Capital

Attributes of Equity Securities

Trilogy is authorized to issue an unlimited number of Trilogy Common Shares and an unlimited number of Trilogy Non-Voting Shares. All of the Trilogy Non-Voting Shares are held by Paramount and, directly or indirectly, by Clayton H. Riddell. As of July 31, 2017, 105,312,350 Trilogy Common Shares and 20,835,862 Trilogy Non-Voting Shares were issued and outstanding.

Trilogy Common Shareholders are entitled to receive notice of and to attend all meetings of the holders of Trilogy Common Shares and Trilogy Non-Voting Shares, and to one vote in respect of each Trilogy Common Share held at all such meetings. Holders of Trilogy Non-Voting Shares are entitled to receive notice of and to attend and speak at any meeting of the holders Trilogy Common Shares and Trilogy Non-Voting Shares to the same extent as a holder of Trilogy Common Shares, but, except as required by applicable law, holders of Trilogy Non-Voting Shares are not entitled to vote at any such meeting.

Trilogy Shareholders and holders of Trilogy Non-Voting Shares are entitled to receive, if, as and when declared by Trilogy's Board of Directors such dividends as may be declared thereon by the Trilogy Board from time to time. The right of holders of Trilogy Common Shares and the right of holders of Trilogy Non-Voting Shares to receive a dividend are equal in all respects and no dividends may be declared or paid on either the Trilogy Common Shares or the Trilogy Non-Voting Shares unless a dividend in the same per share amount is declared or paid on both such classes.

The holders of Trilogy Common Shares and Trilogy Non-Voting Shares participate rateably in any liquidation, dissolution or winding-up of Trilogy or other distribution of the assets of Trilogy among its securityholders for the purpose of winding up its affairs.

The holders of Trilogy Non-Voting Shares do not, under any circumstance, have a right to convert their Trilogy Non-Voting Shares into Trilogy Common Shares.

Trilogy has the limited right, upon notice to the holders of Trilogy Non-Voting Shares, to convert all or any number of the Trilogy Non-Voting Shares into Trilogy Common Shares on the basis of one Trilogy Common Share for each Trilogy Non-Voting Share. Trilogy may not exercise its right to convert the Trilogy Non-Voting Shares unless Trilogy's Board of Directors has determined that the conversion would not result in certain restricted persons (being Paramount and Warner Investment Holdings Ltd., the two holders of all the issued and outstanding Trilogy Non-Voting Shares, and persons related or affiliated with them (the "**Restricted Persons**")) collectively beneficially owning more than 45% of the issued Trilogy Common Shares. There are no provisions in the articles of incorporation of Trilogy granting the holders of Trilogy Non-Voting Shares the right to convert their Trilogy Non-Voting Shares into Common Shares or any similar right designed to enable them to participate in a take-over bid.

If, as a result of any transfer of the beneficial ownership of Trilogy Non-Voting Shares, such Trilogy Non-Voting Shares become beneficially owned by a person who is not a Restricted Person, then, immediately upon completion of such transfer, such Trilogy Non-Voting Shares will automatically convert into Trilogy Common Shares on the basis of one Trilogy Common Share for each such Trilogy Non-Voting Share.

Except as provided in the articles of incorporation of Trilogy (as described above), Trilogy Common Shares and Trilogy Non-Voting Shares shall have the same rights and attributes and shall be the same in all respects. No consolidation, subdivision or distribution shall be effected in respect of the Trilogy Common Shares unless an equivalent consolidation, subdivision or distribution is effected in respect of the Trilogy Non-Voting Shares to preserve the equivalence of such classes of shares.

Each of the Trilogy Common Shares and the Trilogy Non-Voting Shares will vote as a single class in respect of the Trilogy Arrangement Resolution. See "*Matters to be Acted upon at the Trilogy Meeting*" in the Circular.

Dividend Policy

For the period commencing January 2014 to and including November 2014, Trilogy declared and paid a cash dividend in the amount of \$0.035 per share per month on its Trilogy Common Shares and Trilogy Non-Voting Shares. On December 8, 2014, Trilogy announced the discontinuance of the payment of dividends after the December 15, 2014 payment of the November 2014 dividend. No dividends were paid during 2015 or 2016. Trilogy does not currently expect to declare or pay any dividends before the Merger.

Prior Sales

During the past twelve month period, the only Trilogy Shares and securities convertible or exchangeable into Trilogy Shares issued were: (i) 58,500 Trilogy Shares issued upon exercise of options to acquire Trilogy Shares at exercise prices ranging from \$4.49 to \$7.38 and having a weighted average exercise price of \$4.82 per share; and (ii) the issuance of options to acquire an aggregate of 1,645,000 Trilogy

Shares at exercise prices ranging from \$6.79 to \$7.19 and having a weighted average exercise price of \$6.80 per share.

Prior Distributions

Trilogy has not distributed any Trilogy Common Shares or Trilogy Non-Voting Shares during the five years prior to the date of this Circular, other than 7,020,000 Trilogy Common Shares issued under a public offering on October 21, 2013 at a price of \$28.50 for aggregate proceeds of approximately \$200 million.

Market Trading Price and Volume

Trilogy Common Shares trade on the TSX under the symbol "TET". As of August 8, 2017 the closing price of Trilogy Common Shares on the TSX was \$5.17. The following table sets out the trading price and volume of Trilogy Common Shares.

	Price Range (\$ per share)		Trading Volume
	High	Low	
2016			
July	7.26	5.42	3,307,010
August	6.73	5.45	2,404,915
September	7.80	5.68	5,550,398
October	8.33	6.88	4,963,897
November	7.35	5.47	4,951,395
December	7.78	6.36	4,964,040
2017			
January	7.80	6.53	3,140,495
February	6.85	5.54	2,928,681
March	5.83	4.40	3,796,727
April	5.43	4.40	3,915,610
May	5.38	4.30	3,493,843
June	5.40	4.46	1,844,595
July	5.46	4.42	5,548,260
August 1-8	5.36	5.04	1,689,880

Consolidated Capitalization

Other than as described below, there has been no material change in the share and loan structure of Trilogy, on a consolidated basis, since June 30, 2017.

The following table sets forth the consolidated capitalization of Trilogy as at June 30, 2017.

Designation	Authorized	As at June 30, 2017
Cash and Cash Equivalents	N/A	N/A
Trilogy Common Shares	Unlimited	105,304,190 ⁽¹⁾
Trilogy Non-Voting Shares	Unlimited	20,835,862
Long Term Debt		459,092,000
Credit Facility	285,000,000	161,148,000
Senior Unsecured Notes	300,000,000	297,944,000 ⁽²⁾

Notes:

(1) Includes 6,740 Trilogy Common Shares held in trust for future grants under Trilogy's share incentive plan.

(2) Includes \$2,056,000 of unamortized financing costs incurred on original issuance of the Senior Unsecured Notes. The principal of these notes is \$300,000,000.

See “*Information Relating to Paramount after the Apache Canada Acquisition and the Merger – Pro Forma Consolidated Capitalization*” in the Circular.

Ratings

A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner with respect to both principal and interest payments. The following table outlines the ratings of Trilogy and its senior secured notes due December 13, 2019 (the “**2019 Notes**”) as of July 7, 2017 with respect to S&P and July 10, 2017 with respect to DBRS.

On July 7, 2017, S&P placed its ratings on Trilogy on CreditWatch with positive implications reflecting S&P’s view that there is a one-in-two likelihood of a positive rating action if the Merger closes under the proposed terms, because S&P believes the combined entity would have a stronger business risk profile and financial risk profile. S&P expects to resolve the CreditWatch placement by September, 2017.

On July 10, 2017, DBRS placed its ratings on Trilogy on Under Review with Positive Implications. Overall, DBRS is of the opinion that the Merger should result in an enhancement of Trilogy’s credit ratings. DBRS anticipates resolving the Under Review status by closing of the transaction.

	S&P	DBRS Limited
Issuer Rating	B-	B (low)
Outlook/Trend	Stable	Negative
2019 Notes	B	B (low)

See Appendix H – “Information Concerning Paramount Resources Ltd.” under the heading “Description of Share Capital – Ratings” for more information about S&P’s ratings.

DBRS Limited (“**DBRS**”) credit ratings are on a rating scale that ranges from AAA to D which represents the ranking from highest to lowest quality. All rating categories other than AAA and D also contain subcategories “(high)” and “(low)”. The absence of either a “(high)” or “(low)” designation indicates the rating is in the middle of the category. DBRS may also include a rating trend which provides guidance in respect of DBRS’ opinion regarding the outlook for the rating in question. Rating trends fall into one of three categories - “Positive”, “Stable” or “Negative”. DBRS has assigned Trilogy an issuer rating of B (low) with a negative trend and a rating of B (low) with a negative trend on its 2019 Notes. A rating of B (low) is characterized by DBRS to be highly speculative credit quality. According to DBRS, “the Negative trend reflects DBRS’ concerns of prolonged weakness in key credit metrics and liquidity if the depressed commodity pricing outlook further weakens and persists.”

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

Trilogy paid a fee for service to both S&P and DBRS to provide a rating for Trilogy’s 2019 Notes. No other service was provided by these organizations to Trilogy during the last two years.

Significant Acquisitions

Trilogy has not completed any acquisitions within the past 75 days of the date hereof that are “significant acquisitions” for the purposes of Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* (“NI 51-102”), nor does Trilogy have any proposed acquisitions that have progressed to the

point that a reasonable person would believe that the likelihood of the acquisition being completed is high and which would constitute a “significant acquisition” for the purposes of Part of NI 51-102.

Indebtedness of Directors and Executive Officers

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

Interest of Informed Persons in Material Transactions

Except as otherwise disclosed in this Circular, there are no material interests, direct or indirect, of any director or executive officer, or any person who beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the voting rights attached to all outstanding securities of Trilogy, or other Informed Person (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) in any transaction since January 1, 2016 or in any proposed transaction that has materially or will materially affect Trilogy or any of its subsidiaries. See “*Interests of Certain Persons or Companies in the Merger*” in this Circular.

Risk Factors

If the Merger is not completed, Trilogy will continue to face the risk factors that it currently faces with respect to its business and affairs. Investors should carefully review the risk factors described under the heading “*Risk Factors*” in the Trilogy AIF, Trilogy Annual MD&A and Trilogy Interim MD&A, which are incorporated by reference in this Circular and available under Trilogy’s issuer profile on SEDAR at www.sedar.com.

If the Merger is completed, holders of Trilogy Shares (other than Paramount) will become holders of Paramount Shares. After the Merger, Paramount may face risks different from and in addition to those risks currently faced by Trilogy in conjunction with its business and affairs. Investors should therefore carefully consider the risks described under the heading “*Risk Factors*” in the Paramount AIF (which is incorporated by reference in this Circular and also available under Paramount’s issuer profile on SEDAR at www.sedar.com) and under the heading “*Other Information Relating to The Merger – Risk Factors*” in this Circular.

Auditor, Transfer Agent and Registrar

Trilogy’s auditor is PricewaterhouseCoopers LLP, Chartered Professional Accountants, at Suncor Energy Centre East Tower, Suite 3100, 111 5th Avenue S.W., Calgary, Alberta T2P 5L3.

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

Additional Information

Additional information relating to Trilogy is available under Trilogy’s issuer profile on SEDAR at www.sedar.com. The most current financial information on Trilogy is available in the interim financial statements and accompanying management’s discussion and analysis for the three and six months ended June 30, 2017, as well as the audited annual financial statements and accompanying management’s discussion and analysis for the year ended December 31, 2016, all of which can be accessed on SEDAR or on Trilogy’s website at www.trilogyenergy.com. In addition, Trilogy Shareholders may request copies (at no charge) of the most recent interim and annual financial statements and accompanying management’s discussion and analysis, as well as Trilogy’s Annual Information Form for the year ended December 31, 2016, from Trilogy’s Corporate Secretary at Trilogy’s head office at Suite 1400, 332 6th Avenue S.W., Calgary, Alberta T2P 0B2.

APPENDIX J

INFORMATION CONCERNING APACHE CANADA LTD.

OVERVIEW

Apache Canada Ltd.

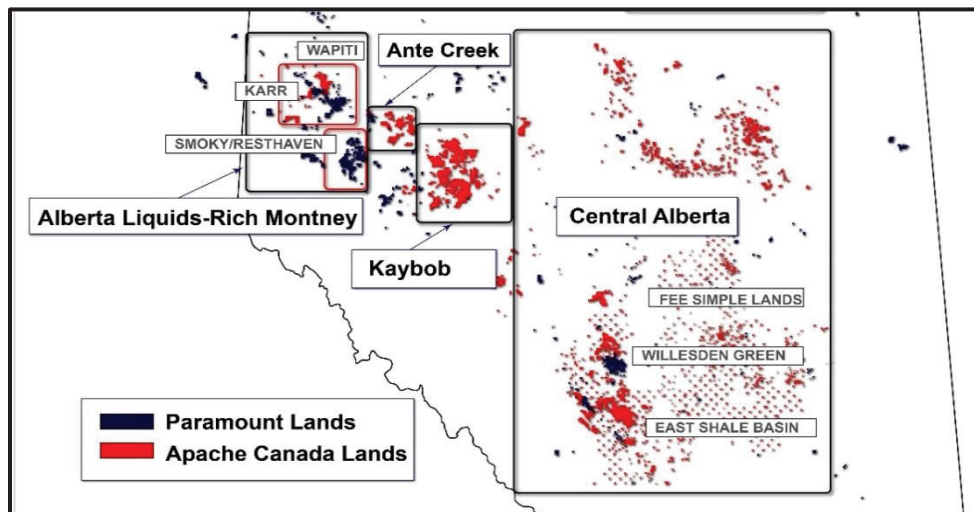
Apache Canada is an indirect, wholly-owned subsidiary of Apache Corporation. Apache Canada is incorporated under the Act and its corporate and registered office is located at Suite 2800, 421 – 7th Ave S.W., Calgary, Alberta, T2P 4K9, Canada. Apache Canada is not a reporting issuer under the securities laws of any jurisdiction in Canada or the United States and none of its securities are listed for trading on any stock exchange.

Apache Corporation

Apache Corporation is a public energy company that explores for, develops, and produces natural gas, crude oil, and natural gas liquids. Apache Corporation's common stock is listed on the New York Stock Exchange, the Chicago Stock Exchange and on the NASDAQ National Market under the symbol "APA".

Apache Canada Assets

The following is a summary of the significant assets that will be owned by Apache Canada at the time of the closing of Apache Canada Acquisition. The below map depicts the primary properties of Apache Canada at Wapiti, Kaybob/Ante Creek and Central Alberta in relation to Paramount's current properties in the area.



* Note: Apache Canada landholding information provided by Apache Canada.

Alberta Liquids-Rich Montney - Wapiti

Apache Canada's Wapiti area includes approximately 46,000 (45,800 net) acres of Montney rights in the core of the over-pressured, liquids-rich fairway in the Alberta Deep Basin. Paramount is ready to commence a large-scale development of these resources and add new production in mid-2019 when a new third-party processing facility is completed (the "**Wapiti Montney Project**").

The Apache Canada Reserves Report includes 96 net undeveloped well locations for the Wapiti Montney Project, representing the development of approximately only 20 percent of the total Wapiti lands. A midstream arrangement with a third-party owner/operator is in place for the turn-key Wapiti Montney Project. The first phase, scheduled for startup in mid-2019, includes 150 MMcf/d of sour gas processing capacity with acid gas injection capabilities and 25,000 Bbl/d of condensate processing capacity, as well as a gathering pipeline

system and field compressor stations. Following the Apache Canada Acquisition, Paramount will have priority access to the full 150 MMcf/d of capacity, with a take-or-pay commitment for a portion thereof.

Firm-service natural gas transportation is also in place for the Wapiti Montney Project, with 50 MMcf/d of firm-service capacity available in mid-2019, which can be increased to 130 MMcf/d by 2020.

Kaybob/Ante Creek

The Kaybob/Ante Creek area includes approximately 490,000 (312,000 net) acres of land targeting liquids-rich natural gas production from the Duvernay, Montney and various Cretaceous horizons, including approximately 38,000 (24,000 net) acres of core Duvernay rights. Liquids-rich growth production will be processed through a third-party turn-key midstream solution with up to 100 MMcf/d of priority processing service. Production from the Kaybob area for the three months ended March 31, 2017 was approximately 20,000 Boe/d, including approximately 20 percent liquids volumes.

Central Alberta

The Central Alberta area primarily consists of low-decline properties with resource development potential from the East Shale Basin Duvernay and the Glauconite, Cardium and Ellerslie formations. Apache Canada also owns approximately 176,000 net acres of fee simple lands in the Central Alberta region. Production for the three months ended March 31, 2017 was approximately 14,000 Boe/d, including approximately 38 percent liquids volumes.

Other Properties

Apache Canada also has properties in the Northwest Territories, northeast British Columbia and northwest Alberta.

Facility Interests

Apache Canada has interests in facilities that are typical for upstream oil and gas production companies, including field facilities such as oil and gas batteries, compressor stations, as well as oilfield injection and treating facilities. Apache Canada has working interests in 15 gas processing plants. These facilities have been constructed for the primary purpose of gathering and processing Apache Canada's production and not for the purpose of processing or transporting third party production.

RESERVES AND OTHER OIL AND GAS INFORMATION

Paramount engaged its independent reserves evaluator, McDaniel, to evaluate the reserves of Apache Canada. The reserves information provided below is derived from the McDaniel report with an effective date of June 1, 2017 (the "**Apache Canada Reserves Report**") in respect of the reserves attributable to the Apache Canada properties to be acquired by Paramount (the "**Apache Canada Acquisition Properties**") as part of the Apache Canada Acquisition. The Apache Canada Reserves Report excludes reserves associated with Apache Canada's Midale, House Mountain and Provost properties, which have either been sold, or are subject to an agreement to be sold. The evaluation or review, as applicable, by McDaniel was prepared in accordance with the standards included in the COGE Handbook and National Instrument 51-101.

The following tables set forth information relating to Apache Canada's working interest share of reserves, net reserves after royalties, and estimated future net revenue as at June 1, 2017 for the Apache Canada Acquisition Properties. The reserves are reported using forecast prices and costs. Columns and rows may not add due to rounding.

All evaluations of future net revenue are stated prior to any provisions for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for incomplete wells to which reserves have been assigned. It should not be assumed that estimated future net revenue is representative of the fair market value of the Apache Canada Acquisition Properties. There is no assurance that price and cost assumptions will not differ materially from actual results. The reserves volumes provided

herein are estimates only and there is no guarantee that the volumes will be recovered. Actual volumes of reserves recovered and cash flows realized may be greater than or less than the estimates provided herein.

Reserves Information

Reserves Data

The following table summarizes the reserves attributable to the Apache Canada Acquisition Properties at June 1, 2017.

Reserves Category	Light & Medium Oil		Heavy Oil		Tight Oil	
	Gross ⁽¹⁾ (Mbbbl)	Net ⁽²⁾ (Mbbbl)	Gross ⁽¹⁾ (Mbbbl)	Net ⁽²⁾ (Mbbbl)	Gross ⁽¹⁾ (Mbbbl)	Net ⁽²⁾ (Mbbbl)
Proved						
Developed Producing	2,497.9	2,114.5	-	-	445.2	325.7
Non-producing	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-
Total Proved	2,497.9	2,114.5	-	-	445.2	325.7
Total Probable	656.6	541.1	-	-	160.2	111.0
Total Proved & Probable	3,154.5	2,655.6	-	-	605.4	436.7

Reserves Category	Conventional Natural Gas		Shale Gas		Natural Gas Liquids	
	Gross ⁽¹⁾ (MMcf)	Net ⁽²⁾ (MMcf)	Gross ⁽¹⁾ (MMcf)	Net ⁽²⁾ (MMcf)	Gross ⁽¹⁾ (Mbbbl)	Net ⁽²⁾ (Mbbbl)
Proved						
Developed Producing	213,159.9	193,713.8	132,505.2	120,714.3	14,655.0	10,551.1
Non-producing	-	-	6,850.9	6,375.8	586.7	513.1
Undeveloped	-	-	309,178.5	273,337.1	39,726.2	32,177.1
Total Proved	213,159.9	193,713.8	448,534.6	400,427.1	54,967.9	43,241.3
Total Probable	58,906.7	52,599.8	403,984.9	350,859.8	42,161.2	31,589.3
Total Proved & Probable	272,066.5	246,313.6	852,519.5	751,287.0	97,129.1	74,830.6

Notes:

- (1) Gross reserves are working interest reserves before royalty deductions.
(2) Net reserves are working interest reserves after royalty deductions plus royalty interest reserves.

Net Present Value of Future Net Revenue

The following table summarizes the net present values of future net revenue of the reserves attributable to the Apache Canada Acquisition Properties evaluated as at June 1, 2017. The net present values are reported before income tax and have been discounted using rates of 0 percent, 5 percent, 10 percent, 15 percent and 20 percent and on a net unit value basis at a discount rate of 10 percent before income taxes. Future net revenue does not represent fair market value.

Reserves Category	Net Present Value of Future Net Revenues (\$M)					Unit Value Before Tax Discounted at 10%(1) (\$/boe)
	0%	5%	10%	15%	20%	
Reserves						
Proved						
Developed Producing	584,023.6	524,013.6	459,808.8	406,179.4	363,068.3	7.03
Developed Non-producing	33,433.6	29,233.2	25,994.0	23,468.8	21,456.6	16.50
Undeveloped	1,634,178.9	998,559.8	651,905.3	442,093.1	305,401.6	8.39
Total Proved	2,251,636.0	1,551,806.6	1,137,708.2	871,741.2	689,926.5	7.86
Total Probable	2,534,628.2	1,539,714.4	1,006,922.6	699,577.9	509,111.3	10.12
Total Proved plus Probable	4,786,264.3	3,091,521.0	2,144,630.8	1,571,319.2	1,199,037.8	8.78

Note:

- (1) The unit values are based on net reserves volumes.

Future Net Revenue

The following table summarizes the total undiscounted future net revenue of the reserves attributable to the Apache Canada Acquisition Properties evaluated as at June 1, 2017.

Reserves Category	Revenue ⁽¹⁾ M\$	Royalties ⁽²⁾ M\$	Operating Costs M\$	Development Costs M\$	Abandonment & Reclamation Costs M\$	Future Net Revenue Before Income Taxes M\$
Total Proved Reserves	6,478,650	1,092,026	1,861,735	1,061,580	211,673	2,251,636
Total Proved & Probable Reserves	12,198,874	2,200,621	3,291,545	1,680,847	239,596	4,786,264

Notes:

(1) Includes all product revenues and other revenues as forecast.

(2) Royalties include any net profits interests paid, as well as the Saskatchewan Corporation Capital Tax Surcharge.

Future Net Revenue by Product Type

The following table summarizes the net present value of future net revenue by product type on a unit value basis, before income tax, attributable to Apache Canada's net reserves evaluated at June 1, 2017. Amounts have been discounted at 10 percent.

Reserves Category	Product Type	Future Net Revenue Before Income Taxes (discounted at 10%) M\$	Unit Value ⁽¹⁾ \$/Mcf \$/bbl
Total Proved Reserves	Light and Medium Oil (including Solution Gas and By-products)	82,217	40.77
	Tight Oil (including Solution Gas and By-products)	8,545	26.24
	Conventional Natural Gas (Including By-products)	205,866	1.12
	Shale Gas (Including By-products)	841,080	2.11
	Total	1,137,708	
Total Proved & Probable Reserves	Light and Medium Oil (including Solution Gas and By-products)	101,062	39.92
	Tight Oil (including Solution Gas and By-products)	11,964	27.40
	Conventional Natural Gas (Including By-products)	274,841	1.17
	Shale Gas (Including By-products)	1,756,764	2.35
	Total	2,144,631	

Note:

(1) Unit values are calculated using the 10% discount rate divided by the Major Product Type Net reserves for each group.

Summary of Pricing and Inflation Rate Assumptions

Pricing and inflation rate assumptions used in the Apache Canada Reserves Report in calculating the net present value of future net revenue attributable to Apache Canada's reserves are as follows:

McDaniel & Associates Consultants Ltd.
Summary of Natural Gas Price Forecasts
April 1, 2017

Year	U.S. Henry Hub Gas Price \$/US/MMbtu	Alberta AECO Spot Price \$/C/MMbtu	Alberta Average Plantgate \$/C/MMbtu ⁽¹⁾	Alberta Aggregator Plantgate \$/C/MMbtu	Alberta Spot Sales Plantgate \$/C/MMbtu	Sask. Prov. Gas Plantgate \$/C/MMbtu	British Columbia Average Plantgate \$/C/MMbtu	British Columbia Station 2 \$/C/MMbtu
2017 (9 mos)	3.25	3.00	2.80	2.80	2.80	2.90	2.50	2.63
2018	3.05	2.85	2.65	2.65	2.65	2.75	2.35	2.48
2019	3.20	3.05	2.85	2.85	2.85	2.95	2.65	2.79
2020	3.45	3.35	3.15	3.15	3.15	3.25	2.95	3.09
2021	3.80	3.65	3.45	3.45	3.45	3.55	3.25	3.39
2022	4.00	3.90	3.70	3.70	3.70	3.80	3.50	3.64
2023	4.10	4.05	3.80	3.80	3.80	3.90	3.55	3.70
2024	4.15	4.10	3.85	3.85	3.85	3.95	3.60	3.75
2025	4.25	4.20	3.95	3.95	3.95	4.05	3.70	3.85
2026	4.35	4.30	4.05	4.05	4.05	4.15	3.80	3.96
2027	4.40	4.35	4.10	4.10	4.10	4.20	3.85	4.01
2028	4.50	4.45	4.20	4.20	4.20	4.30	3.95	4.11
2029	4.60	4.55	4.30	4.30	4.30	4.45	4.05	4.21
2030	4.70	4.65	4.40	4.40	4.40	4.55	4.15	4.32
2031	4.80	4.75	4.50	4.50	4.50	4.65	4.25	4.42
Thereafter	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr

Note:

(1) This forecast also applies to direct sales contracts and the Alberta gas preference price.

McDaniel & Associates Consultants Ltd.
Summary of Crude Oil and Natural Gas Liquids Price Forecasts
April 1, 2017

Year	WTI Crude Oil \$/US/bbl	Brent Crude Oil \$/US/bbl	Edmonton Light Crude Oil \$/C/bbl	Alberta Bow River Hardisty Crude Oil \$/C/bbl	Western Canadian Select Crude Oil \$/C/bbl	Alberta Heavy Crude Oil \$/C/bbl	Sask Cromer Medium Crude Oil \$/C/bbl	Edmonton Cond. & Natural Gasolines \$/bbl	Edmonton Ethane \$/bbl	Edmonton Propane \$/bbl	Edmonton Butanes \$/bbl	Inflation %	US/CAN Exchange Rate \$/US/\$CAN
	(1)	(2)	(3)	(4)	(5)	(6)	(7)						
2017 (9 mos)	52.50	54.50	66.50	51.90	51.20	44.30	59.90	69.50	11.20	17.70	41.40	0.0	0.750
2018	56.10	57.10	69.40	56.20	55.50	48.20	64.50	72.50	10.60	21.00	45.80	2.0	0.775
2019	59.80	60.80	72.30	60.00	59.30	51.70	67.20	75.40	11.40	24.90	47.70	2.0	0.800
2020	66.30	67.40	77.80	64.60	63.80	55.60	72.40	81.00	12.60	26.90	54.10	2.0	0.825
2021	73.10	74.20	83.40	69.20	68.40	59.60	77.60	86.60	13.80	29.00	61.10	2.0	0.850
2022	77.30	78.40	88.30	73.30	72.40	63.10	82.10	91.60	14.60	30.80	64.70	2.0	0.850
2023	78.80	79.90	90.00	74.70	73.80	64.40	83.70	93.40	15.20	31.40	65.90	2.0	0.850
2024	80.40	81.50	91.80	76.20	75.30	65.60	85.40	95.20	15.40	32.00	67.30	2.0	0.850
2025	82.00	83.20	93.70	77.80	76.80	67.00	87.10	97.20	15.80	32.70	68.60	2.0	0.850
2026	83.70	84.90	95.60	79.30	78.40	68.40	88.90	99.20	16.20	33.40	70.00	2.0	0.850
2027	85.30	86.50	97.40	80.80	79.90	69.60	90.60	101.10	16.40	34.00	71.40	2.0	0.850
2028	87.00	88.20	99.40	82.50	81.50	71.10	92.40	103.10	16.80	34.70	72.80	2.0	0.850
2029	88.80	90.10	101.40	84.20	83.10	72.50	94.30	105.20	17.20	35.40	74.30	2.0	0.850
2030	90.60	91.90	103.50	85.90	84.90	74.00	96.30	107.40	17.60	36.20	75.80	2.0	0.850
2031	92.40	93.70	105.50	87.60	86.50	75.40	98.10	109.50	18.00	36.90	77.30	2.0	0.850
Thereafter	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	2.0	0.850

Notes:

- (1) West Texas Intermediate at Cushing Oklahoma 40 degrees API/0.5% sulphur.
- (2) North Sea Brent Blend 37 degrees API/1.0% sulphur.
- (3) Edmonton Light Sweet 40 degrees API, 0.3% sulphur.
- (4) Bow River at Hardisty, Alberta (Heavy stream).
- (5) Western Canadian Select at Hardisty, Alberta.
- (6) Heavy crude oil 12 degrees API at Hardisty, Alberta (after deduction of blending costs to reach pipeline quality).
- (7) Midale Cromer crude oil 29 degrees API, 2.0% Sulphur.

Additional Information Relating to Reserves Data

Significant Factors or Uncertainties Affecting Reserves Data

Estimating reserves is a complex process requiring significant judgments based on available geological, geophysical, engineering and economic data. As additional data from development activities, including production results, becomes available and as internal or external economic conditions change, reserves estimates may change substantially. Apache Canada's reserves can be materially affected by changes in internal and external factors, including, without limitation: commodity prices; access to processing, fractionation

and transportation capacity; well performance; royalties; capital, operating, transportation and other costs; regulatory approvals and requirements; and available capital.

Apache Canada's undeveloped reserves are primarily related to wells in the Kaybob and Wapiti areas.

Production Estimates

The following table summarizes the total estimated gross production from June 1, 2017 until December 31, 2017 for the Apache Canada Acquisition Properties as set forth in the Apache Canada Reserves Report.

Paramount Resources Ltd. - Stallion Acquisition Properties 2017 Production Estimate (7 Months) Forecast Prices and Costs as of June 1, 2017 Total Company		
Reserves Category	Product Type	Estimated Production (Gross)
Total Proved Reserves	Shale Gas (MMcf)	10,505
	Conventional Natural Gas (MMcf)	23,191
	Light and Medium Crude & Tight Oil (Mbbl)	389
	NGLs (Mbbbl)	1,635
	Total Production (Mboe)	7,640
Total Proved & Probable Reserves	Shale Gas (MMcf)	10,803
	Conventional Natural Gas (MMcf)	23,675
	Light and Medium Crude & Tight Oil (Mbbl)	406
	NGLs (Mbbbl)	1,673
	Total Production (Mboe)	7,826

Future Development Costs

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

Future Development Cost (undiscounted M\$)							
	2017E	2018E	2019E	2020E	2021E	Remaining	Total
Total Proved	10,076	119,866	387,045	283,940	219,181	41,472	1,061,580
Total Proved plus Probable	10,076	119,866	387,045	370,627	273,474	519,759	1,680,847

Exploration and Development Activities

For a description of Apache Canada's significant properties, see "Narrative Description of the Business". Apache Canada has an interest in 3,549 (2,335 net) producing and non-producing oil and natural gas wells as follows:

	Producing		Non-Producing	
	Gross⁽¹⁾	Net⁽²⁾	Gross⁽¹⁾	Net⁽²⁾
Crude oil wells				
Alberta	569	290	560	326
Subtotal	569	290	560	326
Natural gas wells				
Alberta	1,420	1,022	877	629
British Columbia	71	36	35	19
Northwest Territories/Yukon	3	3	14	10
Subtotal	1,494	1,061	926	658
Total	2,063	1,351	1,486	984

Notes:

- (1) "Gross" is the number of wells in which Apache Canada has a working interest or a royalty interest that may be converted to a working interest.
- (2) "Net" is the aggregate number of wells obtained by multiplying each gross well by Apache Canada's percentage of working interest.

Properties With and Without Attributed Reserves

Apache Canada's land holdings total 2.7 million gross (1.6 million net) acres:

	Gross Acres		Net Acres		Total Gross	Total Net
	Undeveloped ⁽¹⁾	Developed	Undeveloped ⁽¹⁾	Developed		
Alberta Deep Basin	64,320	8,480	49,364	3,802	72,800	53,166
Ante Creek	69,120	14,080	62,458	4,470	83,200	66,928
Kaybob	46,605	381,805	30,808	227,911	428,409	258,720
Central Alberta	537,726	666,670	361,453	415,789	1,204,396	777,242
NE BC / NW AB	248,707	674,181	111,523	351,175	922,888	462,698
	<u>966,478</u>	<u>1,745,216</u>	<u>615,606</u>	<u>1,003,147</u>	<u>2,711,693</u>	<u>1,618,754</u>

Note:

(1) Undeveloped acreage is considered to be those lease acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas regardless of whether or not such acreage contains proved reserves.

Operating Results

The following table summarizes Apache's Canada's operating results attributable to the Apache Canada Acquisition Properties for the second quarter of 2017:

Operating Results ⁽¹⁾ Three months ended June 30, 2017	
Sales Volumes	
Natural Gas (MMcf/d)	173.3
Other NGLs (Bbl/d) ⁽²⁾	4,726
Condensate and Oil (Bbl/d)	5,418
Total Sales Volumes (Boe/d)	39,038
% liquids	26%
Netback (\$ millions)	27.5

(1) Operating information provided by Apache Canada.

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

APPENDIX K

FINANCIAL STATEMENTS

Index to financial statements:

Audited financial statements and related notes for Apache Canada for the year ended December 31, 2016 K-2

Unaudited interim financial statements and related notes for Apache Canada for the three and six month period ended June 30, 2017 K-18

Unaudited *pro forma* statement of financial position of Paramount as at June 30, 2017 and income statements for Paramount for the six months ended June 30, 2017 and year ended December 31, 2016, including *pro forma* earnings (loss) per share, after giving effect to the Apache Canada Acquisition and the Merger K-31

APACHE CANADA LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the year ended December 31, 2016 (audited) and 2015 (unaudited)

With Report of Independent Auditors

Independent Auditors' Report

To the Board of Directors of Paramount Resources Ltd.

At the request of the Board of Directors of Paramount Resources Ltd., we have audited the accompanying consolidated financial statements of Apache Canada Ltd., which comprise the consolidated balance sheet as at December 31, 2016 and the consolidated statement of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management of Apache Canada Ltd. is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States ("US GAAP"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Apache Canada Ltd. as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with US GAAP.

Other Matter

The accompanying consolidated financial statements of Apache Canada Ltd., which comprise the consolidated balance sheet as at December 31, 2015 and the consolidated statement of operations and cash flows for the year then ended, are unaudited.

Ernst & Young LLP

Chartered Professional Accountants
Calgary, Canada
August 9, 2017

APACHE CANADA LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

	For the Year Ended December 31,	
	2016	2015
(\$USD in thousands)	(audited)	(unaudited)
REVENUES AND OTHER:		
Oil and gas production revenues:		
Oil revenues	\$ 180,114	\$ 243,605
Natural gas revenues	146,031	241,942
Natural gas liquids revenues	17,095	12,337
	<u>343,240</u>	<u>497,884</u>
Gain on divestitures	18,955	146,541
Other	11,343	152,197
	<u>373,538</u>	<u>796,622</u>
OPERATING EXPENSES:		
Depletion	174,352	250,911
Depreciation and amortization	8,919	49,697
Asset retirement obligation accretion	47,044	43,173
Exploration	88,066	232,134
Lease operating expenses	181,666	244,186
Impairments	366,932	1,592,694
Ad valorem and other taxes	19,751	26,212
Transportation costs	68,216	88,309
General and administrative	36,331	42,363
Financing costs, net	66,180	101,790
	<u>1,057,457</u>	<u>2,671,469</u>
LOSS BEFORE INCOME TAXES	(683,919)	(1,874,847)
Current income tax provision	319	414
Deferred income tax provision	543	1,616
NET LOSS	\$ (684,781)	\$ (1,876,877)

The accompanying notes to consolidated financial statements are an integral part of this statement.

APACHE CANADA LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

(\$USD in thousands)	For the Year Ended December 31,	
	2016	2015
	(audited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (684,781)	\$ (1,876,877)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	183,271	300,608
Exploratory dry hole expense and unproved leasehold impairments	74,493	213,237
Asset retirement obligation accretion	47,044	43,173
Impairments	366,932	1,592,694
Gain on divestitures	(18,955)	(146,541)
Other	5,889	(9,222)
Changes in operating assets and liabilities:		
Receivables	6,904	70,199
Inventories	(4,148)	1,030
Drilling advances	4,587	(10,174)
Deferred charges and other	555	10,824
Accounts payable	(15,595)	(32,234)
Accrued expenses	8,062	9,021
Deferred credits and noncurrent liabilities	(37,458)	(32,777)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(63,200)	132,961
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to oil and gas property	(87,155)	(391,939)
Additions to gas gathering, transmission, and processing facilities	—	(40,936)
Leasehold and property acquisitions	(7,670)	(20,452)
Proceeds from sale of Kitimat LNG	—	854,365
Proceeds from sale of oil and gas properties, other	40,963	19,143
Proceeds from the sale of gathering, transmission, and processing facilities	15,793	—
Other, net	(317)	294
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(38,386)	420,475
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net transfers from (to) Apache Corporation and subsidiaries	85,733	(500,367)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	85,733	(500,367)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,853)	53,069
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	76,802	23,733
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 60,949	\$ 76,802

The accompanying notes to consolidated financial statements are an integral part of this statement.

APACHE CANADA LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	December 31,	
	2016	2015
(\$USD in thousands)	(audited)	(unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 60,949	\$ 76,802
Receivables, net of allowance	52,344	57,032
Inventories	9,065	6,518
Prepaid assets and other	4,895	9,181
	<u>127,253</u>	<u>149,533</u>
PROPERTY AND EQUIPMENT:		
Oil and gas, on the basis of successful efforts accounting:		
Proved properties	5,433,633	5,811,189
Unproved properties	109,502	171,327
Gathering, transmission, and processing facilities	10,243	19,173
Other fixed assets	132,999	133,461
	<u>5,686,377</u>	<u>6,135,150</u>
Less: Accumulated depreciation, depletion, and amortization	(4,222,716)	(4,061,621)
	<u>1,463,661</u>	<u>2,073,529</u>
OTHER ASSETS:		
Deferred charges and other	64	619
	<u>\$ 1,590,978</u>	<u>\$ 2,223,681</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 56,005	\$ 65,977
Other current liabilities	73,496	84,362
	<u>129,501</u>	<u>150,339</u>
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Notes payable to Parent and subsidiaries	6,180,757	6,078,865
Asset retirement obligation	761,784	772,255
Other	49,409	51,993
	<u>6,991,950</u>	<u>6,903,113</u>
COMMITMENTS AND CONTINGENCIES (Note 8)		
COMPANY EQUITY:		
Paid-in capital	1,966,809	1,982,730
Accumulated deficit	(7,388,724)	(6,703,943)
Accumulated other comprehensive loss	(108,558)	(108,558)
	<u>(5,530,473)</u>	<u>(4,829,771)</u>
	<u>\$ 1,590,978</u>	<u>\$ 2,223,681</u>

The accompanying notes to consolidated financial statements are an integral part of this statement.

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Apache Canada Ltd. (“ACL” or the “Company”) is engaged in a single line of business that explores for, develops, and produces natural gas, crude oil, and natural gas liquids with operations primarily in the provinces of British Columbia, Alberta, and Saskatchewan. ACL is a wholly owned subsidiary of Apache Corporation and its subsidiaries (“Apache” or “Parent”).

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of ACL and its subsidiaries after elimination of intercompany balances and transactions. The Company’s interest in oil and gas exploration and production ventures and partnerships are proportionately consolidated. The Company consolidates all investments in which the Company, either through direct or indirect ownership, has more than a 50 percent voting interest.

The consolidated financial statements have been prepared by Apache and include the consolidated financial position and results of operations of ACL. Accounting and reporting policies used reflect industry practices and conform to accounting principles generally accepted in the United States (GAAP). In accordance with Accounting Standards Codification (ASC) 250, the operations and oil and gas properties remained consistent for all periods presented.

Only assets and liabilities to which ACL has legal rights and obligations are included in the consolidated financial statements. The basis of assets and liabilities included in the consolidated financial statements are reported at their values in United States (U.S.) dollar equivalent. The consolidated statement of operations includes all revenue and expenses directly attributable to ACL, as well as an allocation of certain costs for administrative functions performed by centralized departments within Apache, such as information technology, risk management, corporate planning, accounting, cash management, and others. In addition, since Apache follows the successful-efforts method of accounting, which is discussed in more detail below, several assumptions or estimates used in preparing the consolidated financial statements of ACL may be heavily influenced by Apache’s corporate strategic plans. As such, the consolidated financial information included herein may not necessarily reflect the financial position, results of operations, and cash flows of ACL in the future or what they would have been had ACL been a separate, stand-alone entity during the periods presented.

Use of Estimates

The preparation of financial statements in conformity with GAAP and the disclosure of contingent assets and liabilities require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Apache bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Apache evaluates its estimates and assumptions on a regular basis. Actual results may differ from these estimates and assumptions used in preparation of its financial statements and changes in these estimates are recorded when known. Significant estimates with regard to these financial statements include the estimate of proved oil and gas reserve quantities and the related present value of estimated future net cash flows therefrom, asset retirement obligations, valuation of income taxes, and contingency obligations.

Cash Equivalents

The Company considers all highly liquid short-term investments with an original maturity of three months or less at the time of purchase to be cash equivalents. These investments are carried at cost, which approximates fair value.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the historical carrying amount net of write-offs and allowance for uncollectible accounts. The carrying amount of the accounts receivable approximate fair value because of the short-term nature of the instruments. Management routinely assesses the collectability of all material trade and other receivables. Many of the accounts receivables are from joint interest owners on properties ACL operates. ACL may have the ability to withhold future revenue disbursements to recover any non-payment of these joint interest billings. ACL accrues a reserve on a receivable when, based on the judgment of management, it is probable that a receivable will not be collected and the amount of any reserve may be reasonably estimated. As of December 31, 2016 and 2015, ACL had an allowance for doubtful accounts of \$3.0 million and \$4.3 million, respectively.

Inventories

Inventories consist principally of tubular goods and equipment, stated at weighted-average cost, and oil produced but not sold, stated at the lower of cost or market. Impairments on inventory of \$1.2 million and \$7.2 million were recorded in 2016 and 2015, respectively.

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Property and Equipment

The carrying value of ACL's property and equipment represents the cost incurred to acquire the property and equipment, including any capitalized interest, net of any impairments. For business combinations, property and equipment cost is based on the fair values at the acquisition date.

Oil and Gas Property

The Company follows the successful efforts method of accounting for its oil and gas property. Under this method of accounting, exploration costs such as exploratory geological and geophysical costs, delay rentals, and exploration overhead are expensed as incurred. All costs related to production, general corporate overhead, and similar activities are expensed as incurred. If an exploratory well provides evidence to justify potential development of reserves, drilling costs associated with the well are initially capitalized, or suspended, pending a determination as to whether a commercially sufficient quantity of proved reserves can be attributed to the area as a result of drilling. This determination may take longer than one year in certain areas depending on, among other things, the amount of hydrocarbons discovered, the outcome of planned geological and engineering studies, the need for additional appraisal drilling activities to determine whether the discovery is sufficient to support an economic development plan, and government sanctioning of development activities in certain locations. At the end of each quarter, management reviews the status of all suspended exploratory well costs in light of ongoing exploration activities; in particular, whether the Company is making sufficient progress in its ongoing exploration and appraisal efforts or, in the case of discoveries requiring government sanctioning, whether development negotiations are underway and proceeding as planned. If management determines that future appraisal drilling or development activities are unlikely to occur, associated suspended exploratory well costs are expensed.

Acquisition costs of unproved properties are assessed for impairment at least annually and are transferred to proved oil and gas properties to the extent the costs are associated with successful exploration activities. Significant undeveloped leases are assessed individually for impairment based on the Company's current exploration plans. Costs of expired or abandoned leases are charged to exploration expense, while costs of productive leases are transferred to proved oil and gas properties. Costs of maintaining and retaining unproved properties and impairment of unsuccessful leases are included in exploration costs in the consolidated statement of operations.

Costs to develop proved reserves, including the costs of all development wells and related equipment used in the production of crude oil and natural gas, are capitalized. Depreciation of the cost of proved oil and gas properties is calculated using the unit-of-production (UOP) method. The UOP calculation multiplies the percentage of estimated proved reserves produced each quarter by the carrying value of those reserves. The reserve base used to calculate depreciation for leasehold acquisition costs and the cost to acquire proved properties is the sum of proved developed reserves and proved undeveloped reserves. With respect to lease and well equipment costs, which include development costs and successful exploration drilling costs, the reserve base includes only proved developed reserves. Estimated future dismantlement, restoration and abandonment costs, net of salvage values, are included in the depreciable cost.

Oil and gas properties are grouped for depreciation in accordance with ASC 932 "Extractive Activities — Oil and Gas." The basis for grouping is a reasonable aggregation of properties with a common geological structural feature or stratigraphic condition, such as a reservoir or field.

When circumstances indicate that proved oil and gas properties may be impaired, the Company compares unamortized capitalized costs to the expected undiscounted pre-tax future cash flows for the associated assets grouped at the lowest level for which identifiable cash flows are independent of cash flows of other assets. If the expected undiscounted pre-tax future cash flows, based on management's estimate of future crude oil and natural gas prices, operating costs, anticipated production from proved reserves and other relevant data, are lower than the unamortized capitalized cost, the capitalized cost is reduced to fair value. Fair value is generally estimated using the income approach described in the ASC 820 "Fair Value Measurement." The expected future cash flows used for impairment reviews and related fair value calculations are typically based on judgmental assessments of future production volumes, commodity prices, operating costs, and capital investment plans, considering all available information at the date of review. These assumptions are applied to develop future cash flow projections that are then discounted to estimated fair value, using a discount rate believed to be consistent with those applied by market participants. Management has classified these fair value measurements as Level 3 in the fair value hierarchy.

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table represents non-cash impairments of the carrying value of the Company's proved and unproved property and equipment for 2016 and 2015:

(USD in thousands)	<u>2016</u>	<u>2015</u>
	<i>(audited)</i>	<i>(unaudited)</i>
Oil and Gas Property:		
Proved	\$ 365,690	\$ 1,030,950
Unproved	72,480	185,117

The fair values of the impaired proved properties as of the most recent date of impairment were \$163.2 million and \$443.0 million for 2016 and 2015, respectively.

In the consolidated statement of operations, unproved property impairments are recorded in exploration expense, and proved property impairments are recorded in impairments.

Gathering, Transmission, and Processing Facilities

Gathering, Transmission and Processing Facilities (GTP) totaled \$10.2 million and \$19.2 million at December 31, 2016 and 2015, respectively, with accumulated depreciation for these assets totaling \$0.2 million and \$9.3 million for the respective periods. GTP facilities are depreciated on a straight-line basis over the estimated useful lives of the assets. The estimation of useful life takes into consideration anticipated production lives from the fields serviced by the GTP assets, whether Company-operated or third party, as well as potential development plans by Apache management for undeveloped acreage within or in close proximity to those fields.

The Company assesses the carrying amount of its GTP facilities whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If the carrying amount of these facilities is more than the sum of the undiscounted cash flows, an impairment loss is recognized for the excess of the carrying value over its fair value. During 2016, the Company did not record any impairments of its GTP assets. During 2015, the Company recorded impairments of \$555 million on certain GTP assets, which were written down to their fair values of zero. The fair values of the impaired assets were determined using a combination of the income approach and the market approach. The income approach considers internal estimates of future throughput volumes, processing rates, and costs. These assumptions were applied to develop future cash flow projections that were then discounted to estimated fair value, using a discount rate believed to be consistent with those applied by market participants. Management has classified these non-recurring fair value measurements as Level 3 in the fair value hierarchy.

The costs of GTP facilities retired or otherwise disposed of and associated accumulated depreciation are removed from ACL's consolidated financial statements, and the resulting gain or loss is reflected in the Company's consolidated statement of operations.

Other Fixed Assets

Other fixed assets includes computer software and equipment, buildings, vehicles, furniture and fixtures, and other equipment. These assets are depreciated on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 20 years. Other fixed assets totaled \$133.0 million as of the end of December 31, 2016 and 2015 with accumulated depreciation for these assets totaling \$102.5 million and \$94.2 million for the respective periods.

Asset Retirement Costs and Obligations

The initial estimated asset retirement obligation (ARO) related to property and equipment is recorded as a liability at its fair value, with an offsetting asset retirement cost recorded as an increase to the associated property and equipment on the balance sheet. If the fair value of the recorded asset retirement obligation changes, a revision is recorded to both the asset retirement obligation and the asset retirement cost. Revisions in estimated liabilities can result from changes in estimated inflation rates, changes in service and equipment costs and changes in the estimated timing of an asset's retirement. Asset retirement costs are depreciated using a systematic and rational method similar to that used for the associated property and equipment. Accretion expense on the liability is recognized over the estimated productive life of the related assets.

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Accounts Payable

Included in accounts payable at December 31, 2016 and 2015, are liabilities to third parties of approximately \$10.9 million and \$20.0 million, respectively, representing the amount by which checks issued but not presented to the Company's banks for collection exceeded balances in applicable bank accounts.

Notes Payable to Parent

To help fund capital operations and operating cash short falls over time, Apache Corporation may periodically enter into long-term note payable agreements with ACL. These notes are established with defined payment terms and interest rates. Notes payable to Parent on the consolidated balance sheet represents amounts owed by ACL to Apache Corporation and its subsidiaries and are more fully described within Note 11.

Revenue Recognition and Imbalances

Oil and gas revenues are recognized when production is sold to a purchaser at a fixed or determinable price, when delivery has occurred and title has transferred, and if collectability of the revenue is probable. Cash received relating to future revenues is deferred and recognized when all revenue recognition criteria are met.

ACL uses the sales method of accounting for gas production imbalances. The volumes of gas sold may differ from the volumes to which ACL is entitled based on its interests in the properties. These differences create imbalances that are recognized as a liability only when the properties' estimated remaining reserves net to ACL will not be sufficient to enable the under-produced owner to recoup its entitled share through production. ACL's recorded liability is generally reflected in other noncurrent liabilities. No receivables are recorded for those wells where ACL has taken less than its share of production.

General and Administrative Expense

General and administrative expenses are reported net of recoveries from owners in properties operated by ACL and net of amounts related to lease operating activities or exploration and development activities pursuant to the successful-efforts method of accounting. A portion of general and administrative expenses incurred by Apache Corporation have been allocated in the consolidated financial statements. Such allocations were calculated based on various factors, such as the estimated percentage of time and costs spent by Apache Corporation to perform administrative services.

In addition, Apache Corporation grants employees of ACL various types of stock-based awards including stock options, nonvested restricted stock units, and performance-based awards. Apache accounts for stock-based compensation under the fair value recognition provisions of ASC Topic 718, "Compensation-Stock Compensation." Expenses associated with equity awards are allocated to ACL based on an annual percentage estimate of department headcount and salaries determined by Apache's corporate planning group at the beginning of each fiscal year.

Income Taxes

ACL records deferred tax assets and liabilities to account for the expected future tax consequences of events that have been recognized in the financial statements and tax returns of ACL. Management routinely assesses the realizability of its deferred tax assets. If management concludes that it is more likely than not that some or all of the deferred tax assets will not be realized, the tax asset is reduced by a valuation allowance. Numerous judgments and assumptions are inherent in the determination of future taxable income, including factors such as future operating conditions (particularly as related to prevailing oil and gas prices) and changing tax laws.

Maintenance and Repairs

Maintenance and repairs are charged to expense as incurred.

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Recently Issued Accounting Standards Not Yet Adopted

In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13, “Financial Instruments - Credit Losses.” The standard changes the impairment model for most financial assets and certain other instruments, including trade and other receivables, held-to-maturity debt securities and loans, and requires entities to use a new forward-looking expected loss model that will result in the earlier recognition of allowance for losses. This update is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for a fiscal year beginning after December 15, 2018, including interim periods within that fiscal year. Management does not expect to adopt the guidance early. Entities will apply the standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. Management is evaluating the new guidance and does not believe this standard will have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, a new lease standard requiring lessees to recognize lease assets and lease liabilities for most leases classified as operating leases under previous U.S. GAAP. The guidance is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Management will be required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Management is currently evaluating the impact of adopting this standard on the consolidated financial statements.

In May 2014, the FASB and the International Accounting Standards Board (IASB) issued a joint revenue recognition standard, ASU 2014-09. The new standard removes inconsistencies in existing standards, changes the way companies recognize revenue from contracts with customers, and increases disclosure requirements. The codification was amended through additional ASUs and, as amended, requires companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The guidance is effective for annual and interim periods beginning after December 15, 2017. The standard is required to be adopted using either the full retrospective approach, with all prior periods presented adjusted, or the modified retrospective approach, with a cumulative adjustment to retained earnings on the opening balance sheet. Management will adopt the new standard utilizing the modified retrospective approach. Upon preliminary evaluation, management does not expect the adoption of this ASU to have a material impact on the consolidated financial statements. Management is continuing to evaluate the disclosure requirements of this ASU and does not plan on early adopting the standard.

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

3. ACQUISITIONS AND DIVESTITURES

Leasehold and Property Acquisitions

ACL completed \$8 million and \$20 million of leasehold and property acquisitions during 2016 and 2015, respectively.

Divestiture of Properties

During 2016, ACL entered into multiple individually insignificant transactions to sell certain non-core oil and gas properties, facilities and acreage. ACL recorded \$57 million of proceeds from the divestitures and an associated \$19 million of gain was recorded in 2016.

In April 2015, ACL completed the sale of its 50 percent interest in the Kitimat Liquefied Natural Gas (LNG) project and upstream acreage in the Horn River and Liard natural gas basins to Woodside Petroleum Limited. Proceeds at closing were \$854 million, of which approximately \$344 million was associated with LNG assets and \$510 million was associated with upstream oil and gas assets. The Kitimat LNG assets were classified as held for sale and impaired \$655 million in the fourth quarter of 2014. In 2015, Apache recognized a \$146 million gain on the sale of the upstream assets upon completion of the sale.

ACL recorded \$19.1 million of proceeds from the divestiture of other oil and gas properties, facilities and acreage during 2015. No associated gain or loss was recorded in 2015.

4. FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents, accrued revenues receivables, and accrued costs included in the accompanying balance sheet approximated their fair values at December 31, 2016 and 2015, due to their short maturities. ACL did not use derivative financial instruments or otherwise engage in hedging activities during the years ended December 31, 2016 and 2015.

5. OTHER CURRENT LIABILITIES

The following table provides detail of the Company's other current liabilities at December 31, 2016 and 2015:

	December 31,	
	2016	2015
	(audited)	(unaudited)
(USD in thousands)		
Accrued operating expenses	\$ 20,476	\$ 17,304
Accrued exploration and development	5,879	32,601
Accrued compensation and benefits	12,240	8,344
Current asset retirement obligation	31,600	19,533
Current debt	483	416
Other	2,818	6,164
Total Other current liabilities	\$ 73,496	\$ 84,362

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

6. CAPITALIZED EXPLORATORY WELL COSTS

The following summarizes the changes in capitalized exploratory well costs for each of the last two years ended December 31, 2016 and 2015. Additions pending the determination of proved reserves excludes amounts capitalized and subsequently charged to expense within the same year.

(\$USD in thousands)	2016 <i>(audited)</i>	2015 <i>(unaudited)</i>
Balance at January 1	\$ 805	\$ 190,794
Additions pending determination of proved reserves	10	41,974
Divestitures and other	—	(180,322)
Reclassifications to proved properties	—	(25,228)
Charged to exploration expense	(815)	(26,413)
Balance at December 31	<u>\$ —</u>	<u>\$ 805</u>

There were no projects for which exploratory well costs have been capitalized for a period greater than one year since the completion of drilling as of December 31, 2016 or 2015.

7. ASSET RETIREMENT OBLIGATION

The following table is a reconciliation of the ARO liability associated with the Company's properties for the years ended December 31, 2016 and 2015:

(\$USD in thousands)	2016 <i>(audited)</i>	2015 <i>(unaudited)</i>
Asset retirement obligation at beginning of year	\$ 791,788	\$ 769,241
Liabilities incurred	5,350	17,760
Liabilities settled	(19,533)	(24,468)
Liabilities divested	(6,607)	(4,240)
Revisions to estimated liability	(24,658)	(9,678)
Accretion expense	47,044	43,173
Asset retirement obligation at end of year	<u>793,384</u>	<u>791,788</u>
Less current portion	(31,600)	(19,533)
Asset retirement obligation, long-term	<u>\$ 761,784</u>	<u>\$ 772,255</u>

The ARO liability reflects the estimated present value of the amount of dismantlement, removal, site reclamation, and similar activities associated with ACL's oil and gas properties and facilities. Management utilizes current retirement costs to estimate the expected cash outflows for retirement obligations. Management estimates the ultimate productive life of the properties, a risk-adjusted discount rate, and an inflation factor in order to determine the current present value of this obligation. To the extent future revisions to these assumptions impact the present value of the existing ARO liability, a corresponding adjustment is made to the oil and gas property balance. Liabilities settled primarily relate to actual dismantlement, abandonment, and restoration activities during the periods presented.

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

8. COMMITMENTS AND CONTINGENCIES

Accruals for loss contingencies arising from claims, assessments, litigation, environmental and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted as additional information becomes available or circumstances change.

Litigation

ACL is subject to governmental and regulatory controls arising in the ordinary course of business. It is the opinion of management that existing claims and litigation involving ACL are not likely to have a material adverse effect on the reported financial position or results of operations.

Environmental Matters

ACL, as an owner or lessee and operator of oil and gas properties, is subject to various provincial, local, and foreign country laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the lessee under an oil and gas lease for the cost of pollution clean-up resulting from operations and subject the lessee to liability for pollution damages. In some instances, ACL may be directed to suspend or cease operations in the affected area. Apache maintains insurance coverage for ACL, which management believes is customary in the industry, although the Company is not fully insured against all environmental risks.

As of December 31, 2016, ACL had an undiscounted reserve for environmental remediation of approximately \$46.5 million. Management is not aware of any environmental claims existing as of December 31, 2016 that have not been provided for or would otherwise have a material impact on the reported financial position or results of operations. There can be no assurance however, that current regulatory requirements will not change or past non-compliance with environmental laws will not be discovered on the Company's properties.

Contractual Obligations

At December 31, 2016, contractual obligations for long-term operating leases, capital leases, and purchase obligations are as follows:

Net Minimum Commitments	Total	2017	2018-2019	2020-2021	2022 & Beyond
			(In thousands)		
Purchase obligations ⁽¹⁾	\$ 149,605	\$ 24,256	\$ 40,155	\$ 74,388	\$ 10,806
Operating lease obligations ⁽²⁾	32,195	5,307	10,519	10,079	6,290
Total Net Minimum Commitments	\$ 181,800	\$ 29,563	\$ 50,674	\$ 84,467	\$ 17,096

(1) Includes minimum commitments associated with long-term take-or-pay contracts, NGL processing agreements, and agreements to secure capacity rights on third-party pipelines.

(2) Amounts include long-term lease payments primarily for office space. The Company expects to receive \$8 million in sublease income associated with these leases that is not reflected in the above table.

The table above includes leases for buildings, facilities, and related equipment with varying expiration dates through 2029. Net rental expense for continuing operations was \$7 million and \$8 million for 2016 and 2015, respectively. Costs incurred under take-or-pay and throughput obligations were \$26 million and \$27 million for 2016 and 2015, respectively.

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

9. INCOME TAXES

The current provision for income taxes primarily consists of provincial taxes for each period presented. A valuation allowance has been applied against a significant portion of the Company's deferred tax asset until there is sufficient evidence to support the reversal of all or some portion of this allowance.

The Company has a federal net operating loss carryforward of \$125 million which begins to expire in 2028. ACL also has \$782 million of capital loss carryforwards which have an indefinite carryover period. The Company has recorded a valuation allowance against the net operating loss and the capital loss until there is sufficient evidence to support the reversal of all or some portion of this allowance.

The Company accounts for income taxes in accordance with ASC Topic 740 "Income Taxes," which prescribes a minimum recognition threshold a tax position must meet before being recognized in the combined financial statements. The Company records interest and penalties related to unrecognized tax benefits as a component of income tax expense. Each quarter management assesses the amounts provided for and, as a result, may increase (expense) or reduce (benefit) the amount of interest and penalties. As of December 31, 2016, the Company did not have any uncertain tax positions that would require recognition. Uncertain tax positions may change in the next twelve months; however, management does not expect any possible change to have a significant impact on its results of operations or financial position. If incurred, the Company will record income tax interest and penalties as a component of income tax expense.

10. MAJOR CUSTOMERS AND RELATED PARTIES

During 2016 and 2015, no third-party customers individually accounted for ten percent or more of oil and gas sales. Revenues are derived principally from uncollateralized sales to customers in the oil and gas industry; therefore, customers may be similarly affected by changes in economic and other conditions within the industry. ACL has not experienced material credit losses on such sales.

The consolidated statement of operations includes all revenue and expenses directly attributable to ACL, as well as an allocation of certain costs for administrative functions performed by centralized departments within Apache, such as information technology, risk management, corporate planning, accounting, cash management, and others. These costs were primarily allocated to the Company based on an estimate of administrative time and activity levels dedicated to ACL.

11. NOTES PAYABLE TO PARENT

Notes payable to Parent represents amounts owed by ACL to Apache Corporation and its subsidiaries. To help fund capital operations and operating cash short falls over time, Apache or its subsidiaries may periodically enter into long-term note payable agreements with ACL. These notes are established with defined payment terms and interest rates. As of December 31, 2016, there are twelve notes outstanding with a balance of \$6.2 billion. The notes are due between 2020 to 2036. Interest accrues on these notes with interest rates up to 8 percent. Interest expense of \$73.8 million and \$103.9 million was recognized in 2016 and 2015, respectively.

12. STATEMENT OF COMPANY EQUITY

The following table provides detail of the Company's equity for the years ended December 31, 2016 and 2015:

(\$USD in thousands)	2016	2015
	<i>(audited)</i>	<i>(unaudited)</i>
Company equity at beginning of period	\$ (4,829,771)	\$ (2,941,992)
Equity distribution to Parent	(15,921)	(10,903)
Net loss	(684,781)	(1,876,877)
Company equity at end of period	<u>\$ (5,530,473)</u>	<u>\$ (4,829,771)</u>

In light of the continued transformation and synergies of the U.S. and Canadian energy markets, the Company adopted the U.S. dollar as its functional currency effective October 1, 2002. Included in Company equity for all periods presented is a currency translation adjustment of \$109 million resulting from translating the ACL financial statements into U.S. dollar equivalents prior to the change in functional currency.

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

13. SUBSEQUENT EVENTS

In July 2017, Apache agreed to sell its interests in ACL to Paramount Resources Ltd. and exit its operations in Canada. Additionally, a separate transaction was signed in June in which Apache agreed to sell its Provost assets in Alberta to an undisclosed privately owned company. The transactions to sell ACL and its Provost assets are expected to close in August 2017 for aggregate proceeds to Apache of \$485 million. Also in June, ACL sold its assets at Midale and House Mountain, located in Saskatchewan and Alberta, to Cardinal Energy Ltd. The sale of assets at Midale and House Mountain closed on June 30, 2017, for proceeds of \$228 million. ACL recognized a \$52 million loss in association with this sale.

The Company has evaluated subsequent events through August 9, 2017, the date the consolidated financial statements were available to be issued, and has concluded no other events need to be reported during the period unless previously noted within.

APACHE CANADA LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the quarters and six months ended June 30, 2017 and 2016 (unaudited)

APACHE CANADA LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
REVENUES AND OTHER:				
Oil and gas production revenues:				
Oil revenues	\$ 47,150	\$ 46,303	\$ 96,340	\$ 85,000
Natural gas revenues	39,993	22,601	85,231	63,665
Natural gas liquids revenues	6,351	3,960	13,741	7,261
	93,494	72,864	195,312	155,926
Gain (loss) on divestitures	(52,594)	17,061	(52,533)	17,016
Other	1,122	2,262	1,612	(5,014)
	42,022	92,187	144,391	167,928
OPERATING EXPENSES:				
Depletion	34,153	41,296	71,986	88,422
Depreciation and amortization	1,709	2,103	3,561	5,033
Asset retirement obligation accretion	11,515	11,725	22,953	23,300
Exploration	3,710	3,651	9,215	11,344
Lease operating expenses	41,947	42,305	80,092	92,889
Impairments	—	7,083	39	7,083
Ad valorem and other taxes	4,051	3,182	8,999	8,537
Transportation costs	14,536	18,545	30,325	38,209
General and administrative	7,690	7,706	15,458	18,163
Financing costs, net	15,514	16,802	30,929	36,131
	134,825	154,398	273,557	329,111
LOSS BEFORE INCOME TAXES				
	(92,803)	(62,211)	(129,166)	(161,183)
Current income tax provision (benefit)	(44)	53	364	417
Deferred income tax provision	—	116	64	311
NET LOSS	\$ (92,759)	\$ (62,380)	\$ (129,594)	\$ (161,911)

The accompanying notes to consolidated financial statements are an integral part of this statement.

APACHE CANADA LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	For the Six Months Ended June 30,	
	2017	2016
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (129,594)	\$ (161,911)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation, depletion, and amortization	75,547	93,455
Exploratory dry hole expense and unproved leasehold impairments	4,184	5,038
Asset retirement obligation accretion	22,953	23,300
Impairments	39	7,083
Loss (gain) on divestitures	52,533	(17,016)
Other	3,063	7,314
Changes in operating assets and liabilities:		
Receivables	(1,670)	18,739
Inventories	14,710	(16,193)
Drilling advances	(232)	2,029
Deferred charges and other	64	324
Accounts payable	(3,939)	(39,277)
Accrued expenses	(14,220)	(5,100)
Deferred credits and noncurrent liabilities	(11,875)	(1,383)
NET CASH USED IN OPERATING ACTIVITIES	11,563	(83,598)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to oil and gas property	(50,947)	(33,708)
Additions to gas gathering, transmission, and processing facilities	—	(622)
Leasehold and property acquisitions	(4,693)	(1,063)
Proceeds from sale of Midale and House Mountain	228,040	—
Proceeds from sale of oil and gas properties, other	621	17,578
Proceeds from the sale of gathering, transmission, and processing facilities	63	—
Other, net	96	(69)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	173,180	(17,884)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net transfers from (to) Apache Corporation and subsidiaries	(203,978)	42,666
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(203,978)	42,666
NET DECREASE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	60,949	76,802
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 41,714	\$ 17,986

The accompanying notes to consolidated financial statements are an integral part of this statement.

APACHE CANADA LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited)

	June 30, 2017	December 31, 2016
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 41,714	\$ 60,949
Receivables, net of allowance	54,820	52,344
Inventories	3,031	9,065
Assets held for sale	184,697	—
Prepaid assets and other	9,337	4,895
	<u>293,599</u>	<u>127,253</u>
PROPERTY AND EQUIPMENT:		
Oil and gas, on the basis of successful efforts accounting:		
Proved properties	3,936,632	5,433,633
Unproved properties	113,011	109,502
Gathering, transmission, and processing facilities	5,676	10,243
Other fixed assets	127,442	132,999
	<u>4,182,761</u>	<u>5,686,377</u>
Less: Accumulated depreciation, depletion, and amortization	<u>(3,241,425)</u>	<u>(4,222,716)</u>
	<u>941,336</u>	<u>1,463,661</u>
OTHER ASSETS:		
Deferred charges and other	—	64
	<u>\$ 1,234,935</u>	<u>\$ 1,590,978</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 57,776	\$ 56,005
Liabilities held for sale	105,362	—
Other current liabilities	52,587	73,496
	<u>215,725</u>	<u>129,501</u>
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Notes payable to Parent and subsidiaries	5,975,611	6,180,757
Asset retirement obligation	656,902	761,784
Other	46,763	49,409
	<u>6,679,276</u>	<u>6,991,950</u>
COMMITMENTS AND CONTINGENCIES (Note 8)		
COMPANY EQUITY:		
Paid-in capital	1,966,809	1,966,809
Accumulated deficit	(7,518,317)	(7,388,724)
Accumulated other comprehensive loss	(108,558)	(108,558)
	<u>(5,660,066)</u>	<u>(5,530,473)</u>
	<u>\$ 1,234,935</u>	<u>\$ 1,590,978</u>

The accompanying notes to consolidated financial statements are an integral part of this statement.

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. NATURE OF OPERATIONS

Apache Canada Ltd. (“ACL” or the “Company”) is engaged in a single line of business that explores for, develops, and produces natural gas, crude oil, and natural gas liquids with operations primarily in the provinces of British Columbia, Alberta, and Saskatchewan. ACL is a wholly owned subsidiary of Apache Corporation and its subsidiaries (“Apache” or “Parent”).

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by Apache without audit and include the consolidated financial position and results of operations of ACL. They reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods, on a basis consistent with the annual audited financial statements. All such adjustments are of a normal recurring nature. Accounting and reporting policies used reflect industry practices and conform to accounting principles generally accepted in the United States (GAAP). In accordance with Accounting Standards Codification (ASC) 250, the operations and oil and gas properties remained consistent for all periods presented.

Only assets and liabilities to which ACL has legal rights and obligations are included in the consolidated financial statements. The basis of assets and liabilities included in the consolidated financial statements are reported at their values in United States (U.S.) dollar equivalent. The consolidated statement of operations includes all revenue and expenses directly attributable to ACL, as well as an allocation of certain costs for administrative functions performed by centralized departments within Apache, such as information technology, risk management, corporate planning, accounting, cash management, and others. In addition, since Apache follows the successful-efforts method of accounting, which is discussed in more detail below, several assumptions or estimates used in preparing the consolidated financial statements of ACL may be heavily influenced by Apache’s corporate strategic plans. As such, the consolidated financial information included herein may not necessarily reflect the financial position, results of operations, and cash flows of ACL in the future or what they would have been had ACL been a separate, stand-alone entity during the periods presented.

The accompanying consolidated financial statements include the accounts of ACL and its subsidiaries after elimination of intercompany balances and transactions. The Company’s interest in oil and gas exploration and production ventures and partnerships are proportionately consolidated. The Company consolidates all investments in which the Company, either through direct or indirect ownership, has more than a 50 percent voting interest.

Use of Estimates

The preparation of financial statements in conformity with GAAP and the disclosure of contingent assets and liabilities require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Apache bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Apache evaluates its estimates and assumptions on a regular basis. Actual results may differ from these estimates and assumptions used in preparation of its financial statements and changes in these estimates are recorded when known. Significant estimates with regard to these financial statements include the estimate of proved oil and gas reserve quantities and the related present value of estimated future net cash flows therefrom, asset retirement obligations, valuation of income taxes and contingency obligations.

Cash Equivalents

The Company considers all highly liquid short-term investments with an original maturity of three months or less at the time of purchase to be cash equivalents. These investments are carried at cost, which approximates fair value.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the historical carrying amount net of write-offs and allowance for uncollectible accounts. The carrying amount of the accounts receivable approximate fair value because of the short-term nature of the instruments. Management routinely assesses the collectability of all material trade and other receivables. Many of the accounts receivables are from joint interest owners on properties ACL operates. ACL may have the ability to withhold future revenue disbursements to recover any non-payment of these joint interest billings. ACL accrues a reserve on a receivable when, based on the judgment of management, it is probable that a receivable will not be collected and the amount of any reserve may be reasonably estimated. As of June 30, 2017 and December 31, 2016, ACL had an allowance for doubtful accounts of \$2.5 million and \$3.0 million, respectively.

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

Inventories

Inventories consist principally of tubular goods and equipment, stated at weighted-average cost, and oil produced but not sold, stated at the lower of cost or market. There were no impairments on inventory recorded in the first six months of 2017 and 2016.

Property and Equipment

The carrying value of ACL's property and equipment represents the cost incurred to acquire the property and equipment, including any capitalized interest, net of any impairments. For business combinations, property and equipment cost is based on the fair values at the acquisition date.

Oil and Gas Property

The Company follows the successful efforts method of accounting for its oil and gas property. Under this method of accounting, exploration costs such as exploratory geological and geophysical costs, delay rentals, and exploration overhead are expensed as incurred. All costs related to production, general corporate overhead, and similar activities are expensed as incurred. If an exploratory well provides evidence to justify potential development of reserves, drilling costs associated with the well are initially capitalized, or suspended, pending a determination as to whether a commercially sufficient quantity of proved reserves can be attributed to the area as a result of drilling. This determination may take longer than one year in certain areas depending on, among other things, the amount of hydrocarbons discovered, the outcome of planned geological and engineering studies, the need for additional appraisal drilling activities to determine whether the discovery is sufficient to support an economic development plan, and government sanctioning of development activities in certain locations. At the end of each quarter, management reviews the status of all suspended exploratory well costs in light of ongoing exploration activities; in particular, whether the Company is making sufficient progress in its ongoing exploration and appraisal efforts or, in the case of discoveries requiring government sanctioning, whether development negotiations are underway and proceeding as planned. If management determines that future appraisal drilling or development activities are unlikely to occur, associated suspended exploratory well costs are expensed.

Acquisition costs of unproved properties are assessed for impairment at least annually and are transferred to proved oil and gas properties to the extent the costs are associated with successful exploration activities. Significant undeveloped leases are assessed individually for impairment based on the Company's current exploration plans. Costs of expired or abandoned leases are charged to exploration expense, while costs of productive leases are transferred to proved oil and gas properties. Costs of maintaining and retaining unproved properties and impairment of unsuccessful leases are included in exploration costs in the consolidated statement of operations.

Costs to develop proved reserves, including the costs of all development wells and related equipment used in the production of crude oil and natural gas, are capitalized. Depreciation of the cost of proved oil and gas properties is calculated using the unit-of-production (UOP) method. The UOP calculation multiplies the percentage of estimated proved reserves produced each quarter by the carrying value of those reserves. The reserve base used to calculate depreciation for leasehold acquisition costs and the cost to acquire proved properties is the sum of proved developed reserves and proved undeveloped reserves. With respect to lease and well equipment costs, which include development costs and successful exploration drilling costs, the reserve base includes only proved developed reserves. Estimated future dismantlement, restoration and abandonment costs, net of salvage values, are included in the depreciable cost.

Oil and gas properties are grouped for depreciation in accordance with ASC 932 "Extractive Activities — Oil and Gas." The basis for grouping is a reasonable aggregation of properties with a common geological structural feature or stratigraphic condition, such as a reservoir or field.

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

When circumstances indicate that proved oil and gas properties may be impaired, the Company compares unamortized capitalized costs to the expected undiscounted pre-tax future cash flows for the associated assets grouped at the lowest level for which identifiable cash flows are independent of cash flows of other assets. If the expected undiscounted pre-tax future cash flows, based on management's estimate of future crude oil and natural gas prices, operating costs, anticipated production from proved reserves and other relevant data, are lower than the unamortized capitalized cost, the capitalized cost is reduced to fair value. Fair value is generally estimated using the income approach described in the ASC 820 "Fair Value Measurement." The expected future cash flows used for impairment reviews and related fair value calculations are typically based on judgmental assessments of future production volumes, commodity prices, operating costs, and capital investment plans, considering all available information at the date of review. These assumptions are applied to develop future cash flow projections that are then discounted to estimated fair value, using a discount rate believed to be consistent with those applied by market participants. Management has classified these fair value measurements as Level 3 in the fair value hierarchy.

The following table represents non-cash impairments of the carrying value of the Company's proved and unproved property and equipment for 2017 and 2016:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands)			
Oil and Gas Property:				
Proved	\$ —	\$ 7,083	\$ 39	\$ 7,083
Unproved	895	1,327	1,598	3,051

In the consolidated statement of operations, unproved property impairments are recorded in exploration expense, and proved property impairments are recorded in impairments.

Gathering, Transmission, and Processing Facilities

Gathering, Transmission and Processing Facilities (GTP) totaled \$5.7 million and \$10.2 million as of June 30, 2017 and December 31, 2016, respectively, with accumulated depreciation for these assets totaling \$0.2 million as of the end of both periods. GTP facilities are depreciated on a straight-line basis over the estimated useful lives of the assets. The estimation of useful life takes into consideration anticipated production lives from the fields serviced by the GTP assets, whether Company-operated or third party, as well as potential development plans by Apache management for undeveloped acreage within or in close proximity to those fields.

The Company assesses the carrying amount of its GTP facilities whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If the carrying amount of these facilities is more than the sum of the undiscounted cash flows, an impairment loss is recognized for the excess of the carrying value over its fair value. During the first six months of 2017 and 2016, the Company did not record any impairments of its GTP assets.

The costs of GTP facilities retired or otherwise disposed of and associated accumulated depreciation are removed from ACL's consolidated financial statements, and the resulting gain or loss is reflected in the Company's consolidated statement of operations.

Other Fixed Assets

Other fixed assets includes computer software and equipment, buildings, vehicles, furniture and fixtures, and other equipment. These assets are depreciated on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 20 years. Other fixed assets totaled \$127.4 million and \$133.0 million as of the end of June 30, 2017 and December 31, 2016, respectively, with accumulated depreciation for these assets totaling \$100.9 million and \$102.5 million for the respective periods.

Asset Retirement Costs and Obligations

The initial estimated asset retirement obligation (ARO) related to property and equipment is recorded as a liability at its fair value, with an offsetting asset retirement cost recorded as an increase to the associated property and equipment on the balance sheet. If the fair value of the recorded asset retirement obligation changes, a revision is recorded to both the asset retirement obligation and the asset retirement cost. Revisions in estimated liabilities can result from changes in estimated inflation rates,

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

changes in service and equipment costs and changes in the estimated timing of an asset's retirement. Asset retirement costs are depreciated using a systematic and rational method similar to that used for the associated property and equipment. Accretion expense on the liability is recognized over the estimated productive life of the related assets.

Notes Payable to Parent

To help fund capital operations and operating cash short falls over time, Apache Corporation may periodically enter into long-term note payable agreements with ACL. These notes are established with defined payment terms and interest rates. Notes payable to Parent on the consolidated balance sheet represents amounts owed by ACL to Apache Corporation and its subsidiaries and are more fully described within Note 10.

Revenue Recognition and Imbalances

Oil and gas revenues are recognized when production is sold to a purchaser at a fixed or determinable price, when delivery has occurred and title has transferred, and if collectability of the revenue is probable. Cash received relating to future revenues is deferred and recognized when all revenue recognition criteria are met.

ACL uses the sales method of accounting for gas production imbalances. The volumes of gas sold may differ from the volumes to which ACL is entitled based on its interests in the properties. These differences create imbalances that are recognized as a liability only when the properties' estimated remaining reserves net to ACL will not be sufficient to enable the under-produced owner to recoup its entitled share through production. ACL's recorded liability is generally reflected in other noncurrent liabilities. No receivables are recorded for those wells where ACL has taken less than its share of production.

General and Administrative Expense

General and administrative expenses are reported net of recoveries from owners in properties operated by ACL and net of amounts related to lease operating activities or exploration and development activities pursuant to the successful-efforts method of accounting. A portion of general and administrative expenses incurred by Apache Corporation have been allocated in the consolidated financial statements. Such allocations were calculated based on various factors, such as the estimated percentage of time and costs spent by Apache Corporation to perform administrative services.

In addition, Apache Corporation grants employees of ACL various types of stock-based awards including stock options, nonvested restricted stock units, and performance-based awards. Apache accounts for stock-based compensation under the fair value recognition provisions of ASC Topic 718, "Compensation-Stock Compensation." Expenses associated with equity awards are allocated to ACL based on an annual percentage estimate of department headcount and salaries that Apache's corporate planning group determines at the beginning of each fiscal year.

Income Taxes

ACL records deferred tax assets and liabilities to account for the expected future tax consequences of events that have been recognized in the financial statements and tax returns of ACL. Management routinely assesses the realizability of its deferred tax assets. If management concludes that it is more likely than not that some or all of the deferred tax assets will not be realized, the tax asset is reduced by a valuation allowance. Numerous judgments and assumptions are inherent in the determination of future taxable income, including factors such as future operating conditions (particularly as related to prevailing oil and gas prices) and changing tax laws.

Maintenance and Repairs

Maintenance and repairs are charged to expense as incurred.

Recently Issued Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, a new lease standard requiring lessees to recognize lease assets and lease liabilities for most leases classified as operating leases under previous U.S. GAAP. The guidance is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Management will be required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. Management is currently evaluating the impact of adopting this standard on the consolidated financial statements.

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

In May 2014, the FASB and the International Accounting Standards Board (IASB) issued a joint revenue recognition standard, ASU 2014-09. The new standard removes inconsistencies in existing standards, changes the way companies recognize revenue from contracts with customers, and increases disclosure requirements. The codification was amended through additional ASUs and, as amended, requires companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The guidance is effective for annual and interim periods beginning after December 15, 2017. The standard is required to be adopted using either the full retrospective approach, with all prior periods presented adjusted, or the modified retrospective approach, with a cumulative adjustment to retained earnings on the opening balance sheet. Management will adopt the new standard utilizing the modified retrospective approach. Upon preliminary evaluation, management does not expect the adoption of this ASU to have a material impact on the consolidated financial statements. Management is continuing to evaluate the disclosure requirements of this ASU and does not plan on early adopting the standard.

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

3. ACQUISITIONS AND DIVESTITURES

Leasehold and Property Acquisitions

ACL completed \$5 million and \$1 million of leasehold and property acquisitions during the first six months of 2017 and 2016, respectively.

Divestiture of Properties

In July 2017, Apache agreed to sell its interests in ACL to Paramount Resources Ltd. and exit its operations in Canada. Additionally, a separate transaction was signed in June in which Apache agreed to sell its Provost assets in Alberta to an undisclosed privately owned company. The transactions to sell ACL and its Provost assets are expected to close in August 2017 for aggregate proceeds to Apache of \$485 million. Also in June, ACL sold its assets at Midale and House Mountain, located in Saskatchewan and Alberta, to Cardinal Energy Ltd. The sale of assets at Midale and House Mountain closed on June 30, 2017, for proceeds of \$228 million. ACL recognized a \$52 million loss in association with this sale.

As a result of the agreement to sell the Provost assets, the associated assets and liabilities qualified for held for sale accounting treatment as of June 30, 2017. Net property and equipment of \$185 million and asset retirement obligations and environmental liabilities totaling \$105 million were reclassified to assets and liabilities held for sale on the consolidated balance sheet as of June 30, 2017. In connection with classifying these assets as held for sale, a separate impairment analysis was performed for the assets within the disposal group. The analysis was based on the agreed-upon proceeds less costs to sell for the transaction, a Level 1 fair value measurement. The fair value of the assets held for sale exceeded the carrying amount of the Provost assets at the balance sheet date, and no impairment was recognized.

During the first half of 2016, ACL entered into multiple individually insignificant transactions to sell certain non-core oil and gas properties, facilities and acreage. ACL recorded \$18 million of proceeds from the divestitures.

4. FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents, accrued revenues receivables, and accrued costs recorded in the accompanying balance sheet approximated their fair values at June 30, 2017 and December 31, 2016, due to their short maturities. ACL did not use derivative financial instruments or otherwise engage in hedging activities during the six months ended June 30, 2017 and 2016.

5. OTHER CURRENT LIABILITIES

The following table provides detail of the Company's other current liabilities at June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
	(In thousands)	
Accrued operating expenses	\$ 13,593	\$ 20,476
Accrued exploration and development	11,495	5,879
Accrued compensation and benefits	3,944	12,240
Current asset retirement obligation	18,291	31,600
Current debt	—	483
Other	5,264	2,818
Total Other current liabilities	<u>\$ 52,587</u>	<u>\$ 73,496</u>

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

6. CAPITALIZED EXPLORATORY WELL COSTS

The Company had no capitalized exploratory well costs at June 30, 2017 and \$1 million at December 31, 2016. There were no projects for which exploratory well costs have been capitalized for a period greater than one year since the completion of drilling as of June 30, 2017 or December 31, 2016. Projects with suspended exploratory well costs capitalized for a period greater than one year since the completion of drilling are those identified by management as exhibiting sufficient quantities of hydrocarbons to justify potential development.

7. ASSET RETIREMENT OBLIGATION

The following table is a reconciliation of the ARO liability associated with the Company's properties for the six months ended June 30, 2017:

	2017
	(In thousands)
Asset retirement obligation at December 31, 2016	\$ 793,384
Liabilities incurred	18
Liabilities settled	(13,303)
Liabilities divested	(24,108)
Liabilities held for sale	(103,751)
Accretion expense	22,953
Asset retirement obligation at June 30, 2017	675,193
Less current portion	(18,291)
Asset retirement obligation, long-term	<u>\$ 656,902</u>

The ARO liability reflects the estimated present value of the amount of dismantlement, removal, site reclamation, and similar activities associated with ACL's oil and gas properties and facilities. Management utilizes current retirement costs to estimate the expected cash outflows for retirement obligations. Management estimates the ultimate productive life of the properties, a risk-adjusted discount rate, and an inflation factor in order to determine the current present value of this obligation. To the extent future revisions to these assumptions impact the present value of the existing ARO liability, a corresponding adjustment is made to the oil and gas property balance. Liabilities settled primarily relate to actual dismantlement, abandonment, and restoration activities during the periods presented.

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

8. COMMITMENTS AND CONTINGENCIES

Accruals for loss contingencies arising from claims, assessments, litigation, environmental and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted as additional information becomes available or circumstances change.

Litigation

ACL is subject to governmental and regulatory controls arising in the ordinary course of business. It is the opinion of management that existing claims and litigation involving ACL are not likely to have a material adverse effect on the reported financial position or results of operations.

Environmental Matters

ACL, as an owner or lessee and operator of oil and gas properties, is subject to various provincial, local, and foreign country laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the lessee under an oil and gas lease for the cost of pollution clean-up resulting from operations and subject the lessee to liability for pollution damages. In some instances, ACL may be directed to suspend or cease operations in the affected area. Apache maintains insurance coverage for ACL, which management believes is customary in the industry, although the Company is not fully insured against all environmental risks.

As of June 30, 2017, ACL had an undiscounted reserve for environmental remediation of approximately \$41 million. Management is not aware of any environmental claims existing as of June 30, 2017 that have not been provided for or would otherwise have a material impact on the reported financial position or results of operations. There can be no assurance however, that current regulatory requirements will not change or past non-compliance with environmental laws will not be discovered on the Company's properties.

APACHE CANADA LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

9. INCOME TAXES

The current provision for income taxes primarily consists of provincial taxes for each period presented. A valuation allowance has been applied against a significant portion of the Company's deferred tax asset until there is sufficient evidence to support the reversal of all or some portion of this allowance.

The Company accounts for income taxes in accordance with ASC Topic 740 "Income Taxes," which prescribes a minimum recognition threshold a tax position must meet before being recognized in the combined financial statements. The Company records interest and penalties related to unrecognized tax benefits as a component of income tax expense. Each quarter management assesses the amounts provided for and, as a result, may increase (expense) or reduce (benefit) the amount of interest and penalties. As of June 30, 2017 and December 31, 2016, the Company did not have any uncertain tax positions that would require recognition. Uncertain tax positions may change in the next twelve months; however, management does not expect any possible change to have a significant impact on its results of operations or financial position. If incurred, the Company will record income tax interest and penalties as a component of income tax expense.

10. NOTES PAYABLE TO PARENT

Notes payable to Parent represents amounts owed by ACL to Apache Corporation and its subsidiaries. To help fund capital operations and operating cash short falls over time, Apache or its subsidiaries may periodically enter into long-term note payable agreements with ACL. These notes are established with defined payment terms and interest rates. As of June 30, 2017, there are twelve notes outstanding with a balance of \$6.0 billion. The notes are due between 2020 to 2036. Interest accrues on these notes with interest rates up to 8 percent. Interest expense of \$33.4 million and \$40.7 million was recognized in the first six months of 2017 and 2016, respectively.

11. STATEMENT OF COMPANY EQUITY

The following table provides detail of the Company's equity for the six months ended June 30, 2017 and 2016:

	2017	2016
	(In thousands)	
Company equity as of December 31,	\$ (5,530,473)	\$ (4,829,771)
Equity distribution to Parent	—	(3)
Net loss	(129,594)	(161,911)
Company equity as of June 30,	<u>\$ (5,660,067)</u>	<u>\$ (4,991,685)</u>

12. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through August 9, 2017, the date the consolidated financial statements were available to be issued, and has concluded no events need to be reported during the period unless previously noted within.



Pro Forma Financial Statements
As at and for the six months ended June 30, 2017 and for the year ended
December 31, 2016

PRO FORMA CONSOLIDATED BALANCE SHEET (unaudited)
(\$ thousands)

As at June 30, 2017	Paramount Resources Ltd.	Apache Canada Ltd. (\$US)	Foreign Exchange Translation Note 3C	Pro Forma Adjustments Note	Subtotal Paramount & Apache	Trilogy Energy Corp.	Pro Forma Adjustments Note	Pro Forma Paramount
ASSETS								
Current assets								
Cash and cash equivalents	565,621	41,714	12,418	(488,080) 3A(i)	131,673	—	—	131,673
Accounts receivable	50,407	54,820	16,320	—	121,547	33,700	—	155,247
Prepaid expenses and other	1,936	12,368	3,682	—	17,986	4,310	—	22,296
Risk management	11,048	—	—	—	11,048	7,842	—	18,890
Assets held for sale	—	184,697	54,984	(239,681) 2A	—	—	—	—
Oil and gas assets								
Equity-accounted investment	629,012	293,599	87,404	(727,761)	282,254	45,852	—	328,106
Investments in securities	1,326,662	941,336	280,236	255,966 3A / 3D	2,804,200	967,246	500,659 3B / 3D	4,272,105
Deferred income tax	48,988	—	—	—	48,988	—	(48,988) 3B(ii)	—
Goodwill	47,167	—	—	—	47,167	—	—	47,167
	—	—	—	386,170 3A	386,170	46,156	(173,621) 3B(v)	258,705
	—	—	—	—	—	74,133	(74,133) 3F	—
	2,051,829	1,234,935	367,640	(85,625)	3,568,779	1,133,387	203,917	4,906,083
LIABILITIES AND SHAREHOLDERS' EQUITY								
Current liabilities								
Accounts payable and accrued liabilities	110,003	110,363	32,855	(22,274) 3A / 3G	230,947	53,635	3,753 3G	288,335
Liabilities associated with assets held for sale	—	105,362	31,366	(136,728) 2A	—	—	—	—
Long-term debt	110,003	215,725	64,221	(159,002)	230,947	53,635	3,753	288,335
Asset retirement obligations	—	5,975,611	1,778,939	(7,754,550) 3E	—	459,092	10,070 3B	469,162
Deferred income tax	196,218	656,902	195,560	142,301 3A(iii) / 3D	1,190,981	222,239	—	1,413,220
Provisions	37,415	—	—	—	37,415	—	(37,415) 3B(v)	—
	—	46,763	13,921	(44,148) 3A(iv)	16,536	—	—	16,536
	343,636	6,895,001	2,052,641	(7,815,399)	1,475,879	734,966	(23,592)	2,187,253
Shareholders' equity								
Share capital	1,644,375	(5,660,066)	(1,685,001)	7,345,067	1,644,375	1,105,694	(535,577) 3B(i)	2,214,492
Retained earnings (accumulated deficit)	(66,967)	—	—	384,707 3A(v) / 3G	317,740	(776,693)	825,226 3B(ii) / 3G	366,273
Reserves	130,785	—	—	—	130,785	69,420	(62,140) 3B(iii)	138,065
	1,708,193	(5,660,066)	(1,685,001)	7,729,774	2,092,900	398,421	227,509	2,718,830
	2,051,829	1,234,935	367,640	(85,625)	3,568,779	1,133,387	203,917	4,906,083

See the accompanying notes to these pro forma consolidated financial statements.

PRO FORMA CONSOLIDATED STATEMENT OF NET INCOME (LOSS) (unaudited)

(\$ thousands, except as noted)

Year ended December 31, 2016	Paramount Resources Ltd.	Apache Canada Ltd. (\$US)	Foreign Exchange Translation Note 4A	Pro Forma Adjustments Note	Subtotal Paramount & Apache	Trilogy Energy Corp.	Pro Forma Adjustments Note	Pro Forma Paramount
Petroleum and natural gas sales	248,828	343,240	111,487	(139,387)	564,168	195,036	—	759,204
Royalties	(2,211)	—	—	(14,507)	(16,718)	(12,572)	—	(29,290)
Revenue	246,617	343,240	111,487	(153,894)	547,450	182,464	—	729,914
Gain (loss) on commodity contracts	253	—	—	—	253	(7,278)	—	(7,025)
	246,870	343,240	111,487	(153,894)	547,703	175,186	—	722,889
Expenses								
Operating expense	97,040	201,417	65,422	(83,715)	280,164	69,226	—	349,390
Transportation and NGLs processing	56,465	68,216	22,157	(1,947)	144,891	22,080	—	166,971
General and administrative	25,877	36,331	11,801	—	74,009	12,390	—	86,399
Share-based compensation	27,771	—	—	—	27,771	9,373	—	37,144
Depletion, depreciation and impairment	76,415	550,203	178,709	(53,260)	752,067	141,460	(3,259)	890,268
Exploration and evaluation	(72,071)	88,066	28,604	(1,304)	43,295	978	—	44,273
Gain on sale of oil and gas assets	(1,379,965)	(18,955)	(6,157)	—	(1,405,077)	(919)	—	(1,405,996)
Interest and financing	80,324	66,180	21,496	(87,676)	80,324	33,894	—	114,218
Environmental remediation	—	—	—	—	—	6,000	—	6,000
Accretion of asset retirement obligations	4,622	47,044	15,280	(42,429)	24,517	4,572	—	29,089
Foreign exchange	(43,727)	—	—	—	(43,727)	751	—	(42,976)
Debt extinguishment	27,575	—	—	—	27,575	—	—	27,575
	(1,099,674)	1,038,502	337,312	(270,331)	5,809	299,805	(3,259)	302,355
Loss from equity-accounted investment	(14,316)	—	—	—	(14,316)	—	14,316	—
Decrease in market value of securities distributed	(11,235)	—	—	—	(11,235)	—	—	(11,235)
Other	376	11,343	3,684	—	15,403	111	—	15,514
Income (loss) before tax	1,321,369	(683,919)	(222,141)	116,437	531,746	(124,508)	17,575	424,813
Income tax expense (recovery)								
Current	—	319	104	—	423	—	—	423
Deferred	156,094	543	176	(208,955)	(52,142)	(31,107)	4,766	(78,483)
	156,094	862	280	(208,955)	(51,719)	(31,107)	4,766	(78,060)
Net income (loss)	1,165,275	(684,781)	(222,421)	325,392	583,465	(93,401)	12,809	502,873
Net income per common share (\$/share)								
Basic	10.98				5.50			3.73
Diluted	10.95				5.48			3.73

See the accompanying notes to these pro forma consolidated financial statements.

PRO FORMA CONSOLIDATED STATEMENT OF NET INCOME (LOSS) (unaudited)

(\$ thousands, except as noted)

	Paramount Resources Ltd.	Apache Canada Ltd. (\$US)	Foreign Exchange Translation Note 4A	Pro Forma Adjustments	Note	Subtotal Paramount & Apache	Trilogy Energy Corp.	Pro Forma Adjustments	Note	Pro Forma Paramount
Six months ended June 30, 2017										
Petroleum and natural gas sales	116,031	195,312	65,293	(70,607)	2A / 4B	306,029	137,369	—		443,398
Royalties	(2,805)	—	—	(13,857)	2A / 4B	(16,662)	(10,848)	—		(27,510)
Revenue	113,226	195,312	65,293	(84,464)		289,367	126,521	—		415,888
Gain on commodity contracts	20,863	—	—	—		20,863	23,492	—		44,355
	134,089	195,312	65,293	(84,464)		310,230	150,013	—		460,243
Expenses										
Operating expense	32,057	89,091	29,783	(43,609)	2A	107,322	39,824	—		147,146
Transportation and NGLs processing	14,312	30,325	10,138	(154)	2A	54,621	7,498	—		62,119
General and administrative	11,694	15,458	5,168	—		32,320	4,475	—		36,795
Share-based compensation	5,431	—	—	—		5,431	1,913	—		7,344
Depletion, depreciation and impairment	34,870	75,586	25,268	(14,302)	4C	121,422	49,831	(588)	4C	170,665
Exploration and evaluation	5,296	9,215	3,081	(196)	2A	17,396	803	—		18,199
(Gain) loss on sale of oil and gas assets	(88,346)	52,533	17,562	(70,095)	2A	(88,346)	(23,686)	—		(112,032)
Interest and financing	440	30,929	10,340	(41,269)	4E	440	16,588	—		17,028
Accretion of asset retirement obligations	1,949	22,953	7,673	(20,679)	2A / 4F	11,896	2,509	—		14,405
Environmental remediation	—	—	—	—		—	2,000	—		2,000
Foreign exchange	190	—	—	—		190	—	—		190
Transaction costs	4,737	—	—	—		4,737	1,537	—		6,274
	22,630	326,090	109,013	(190,304)		267,429	103,292	(588)		370,133
Income from equity-accounted investment	4,935	—	—	—		4,935	—	(4,935)	3B	—
Decrease in market value of securities distributed	(10,450)	—	—	—		(10,450)	—	—		(10,450)
Write-down of investments in securities	(11,030)	—	—	—		(11,030)	—	—		(11,030)
Other	3,895	1,612	539	—		6,046	182	—		6,228
Income (loss) before tax	98,809	(129,166)	(43,181)	105,840		32,302	46,903	(4,347)		74,858
Income tax expense										
Current	—	364	122	—		486	—	—		486
Deferred	32,740	64	21	(15,484)	4D	17,341	14,355	(2,348)	4D	29,348
	32,740	428	143	(15,484)		17,827	14,355	(2,348)		29,834
Net income (loss)	66,069	(129,594)	(43,324)	121,324		14,475	32,548	(1,999)		45,024
Net income per common share (\$/share)										
Basic	0.62					0.14				0.33
Diluted	0.62					0.14				0.33

See the accompanying notes to these pro forma consolidated financial statements.

Notes to the Pro Forma Consolidated Financial Statements

(Unaudited)

(\$ thousands, except as noted)

1. BASIS OF PRESENTATION

These unaudited pro forma consolidated financial statements (the "Pro Forma Information") of Paramount Resources Ltd. ("Paramount" or the "Company") have been prepared by Paramount's Management in connection with (i) the proposed acquisition of Apache Canada Ltd. ("Apache Canada" and the "Apache Canada Acquisition") and (ii) the proposed merger with Trilogy Energy Corp. ("Trilogy" and the "Trilogy Merger"), collectively the ("Transactions").

The Pro Forma Information has been prepared for illustrative purposes only on a basis consistent with Paramount's accounting policies under International Financial Reporting Standards ("IFRS"). Unless otherwise noted, all dollar amounts are expressed in thousands of Canadian dollars "\$CAD". References to "\$US" mean United States dollars.

The pro forma consolidated balance sheet as at June 30, 2017 gives effect to the Transactions and assumptions described herein as if they had occurred as at June 30, 2017. The pro forma consolidated statements of net income (loss) for the year ended December 31, 2016 and for the six months ended June 30, 2017 give effect to the Transactions and assumptions described herein as if they had occurred on January 1, 2016. Estimated amounts of consideration and the estimated fair values of assets and liabilities to be recorded upon closing of the Transactions were determined as at July 31, 2017, the month-end date immediately preceding the date of preparation of the Pro Forma Information.

The Pro Forma Information has been prepared from information derived from and should be read in conjunction with:

- Paramount's audited consolidated financial statements as at and for the year ended December 31, 2016, together with the accompanying notes thereto, and the Company's unaudited interim consolidated financial statements for the three and six months ended June 30, 2017, in each case prepared in accordance with IFRS.
- Apache Canada's audited consolidated financial statements as at and for the year ended December 31, 2016, together with the accompanying notes thereto, and Apache Canada's unaudited interim consolidated financial statements for the three and six months ended June 30, 2017, in each case prepared in accordance with accounting principles generally accepted in the United States ("US GAAP").
- Trilogy's audited consolidated financial statements as at and for the year ended December 31, 2016, together with the accompanying notes thereto, and Trilogy's unaudited interim consolidated financial statements for the three and six months ended June 30, 2017, in each case prepared in accordance with IFRS.

Pro forma adjustments have been made to conform Apache Canada's and Trilogy's financial statements to Paramount's accounting and presentation policies under IFRS to the extent the adjustments materially impact the pro forma amounts. No material differences were identified in respect of Apache Canada's financial statements as a result differences between US GAAP and IFRS.

Estimates included in the Pro Forma Information incorporate market values and other information available at the time of preparation. The Apache Canada Acquisition is expected to close in August 2017 and the Trilogy Merger is expected to be completed in September 2017. There is no certainty that the Apache Canada Acquisition or the Trilogy Merger will be completed on the terms anticipated or at all. The Apache Canada Acquisition is not conditional on the completion of the Trilogy Merger. The Trilogy Merger is conditional upon, among other things, the completion of the Apache Canada Acquisition.

This Pro Forma Information may not be indicative of the results that would have occurred if the events reflected therein had been in effect on the dates indicated or of the results which may be obtained in the

Notes to the Pro Forma Consolidated Financial Statements

(Unaudited)

(\$ thousands, except as noted)

future. No adjustments have been made to reflect the operating synergies and administrative cost savings that could result from the combination of these entities. Amounts recognized in Paramount's financial statements in respect of the Transactions in the future will be determined following the closing of each transaction, and the final amounts could differ materially from the estimates included in the Pro Forma Information.

2. THE TRANSACTIONS

A. Apache Canada Acquisition

On July 6, 2017, Paramount announced that it had entered into an agreement with certain subsidiaries of Apache Corporation to acquire Apache Canada for \$459.5 million, plus working capital and other monetary adjustments. The Apache Canada Acquisition remains subject to customary closing conditions.

Apache Canada sold its Midale and House Mountain properties in the second quarter of 2017 and has entered into an agreement to sell its Provost properties (collectively the "Excluded Assets"). The Excluded Assets are not part of the Apache Canada Acquisition and therefore the assets, liabilities and results of operations associated with these properties as at and for the six months ended June 30, 2017 and for the year ended December 31, 2016 have been deducted from the pro forma amounts.

B. Trilogy Merger

Also on July 6, 2017, Paramount announced that it had entered into an agreement with Trilogy to merge by way of an arrangement under the *Business Corporations Act (Alberta)* (the "Arrangement Agreement"), pursuant to which Paramount would acquire all of the common shares and non-voting shares of Trilogy (collectively "Trilogy Shares") not already owned by Paramount in exchange for Class A common shares of Paramount ("Paramount Shares") on the basis of one Paramount Share for every 3.75 Trilogy Shares. The Trilogy Merger is subject to the completion of the Apache Canada Acquisition, shareholder and court approvals and the fulfilment of other conditions that are typical for transactions of this nature.

Paramount currently owns approximately 15 percent of the outstanding Trilogy Shares. The acquisition of the remaining Trilogy Shares will be accounted for as a step acquisition, with Paramount's existing interest being revalued to fair value. Upon completion of the Trilogy Merger, Paramount will have approximately 134.8 million Paramount shares outstanding, based on the current number of outstanding shares of Paramount and Trilogy.

Trilogy's \$300 million principal amount of 7¼ percent senior unsecured notes due 2019 (the "2019 Notes") will remain outstanding following the completion of the Trilogy Merger. The terms of the indenture governing the 2019 Notes do not require a change of control payment as a result of the Trilogy Merger.

Following the completion of the Trilogy Merger, holders of options in respect of Trilogy Shares ("Trilogy Options") will be entitled to acquire the number of Paramount Shares determined by dividing the number of Trilogy Shares subject to such Trilogy Options by 3.75 at an adjusted exercise price equal to the exercise price of such Trilogy Options multiplied by 3.75.

3. PRO FORMA CONSOLIDATED BALANCE SHEET

The Transactions will be accounted for using the acquisition method of accounting, in accordance with *IFRS 3, Business Combinations ("IFRS 3")*. Upon closing of the Transactions, the assets acquired and the liabilities assumed will be recognized at their fair value, except for deferred tax amounts.

Notes to the Pro Forma Consolidated Financial Statements

(Unaudited)

(\$ thousands, except as noted)

A. Apache Canada Acquisition

The following table summarizes the estimated amounts for the total consideration and for each major class of assets and liabilities expected to be recognized in respect of the Apache Canada Acquisition. The cash consideration amount remains subject to closing adjustments and therefore the purchase price allocation is preliminary and subject to change.

Cash consideration	\$ 488,080
Working capital, net ⁽¹⁾	21,841
Oil and gas assets ⁽²⁾	950,045
Deferred income tax asset ⁽³⁾	386,170
Asset retirement obligation ⁽²⁾	(467,270)
Provisions ⁽²⁾	(16,536)
Net assets acquired	874,250
Gain on acquisition	(386,170)
	\$ 488,080

(1) Based on the carrying value of working capital amounts included in Apache Canada's balance sheet as at June 30, 2017. Excludes the US \$18.3 million current portion of asset retirement obligations.

(2) Fair value estimated as at July 31, 2017.

(3) Undiscounted value estimated as at July 31, 2017.

- i. Cash consideration of \$488.1 million is expected to be satisfied with Paramount's cash on hand.
- ii. The allocation of amounts between property plant and equipment and exploration and evaluation assets will be finalized following the closing of the Apache Canada Acquisition. These items are included in the "Oil and Gas Assets" line item above. The estimated value of Apache Canada's oil and gas assets does not include amounts related to the Excluded Assets.
- iii. The estimated asset retirement obligation for Apache Canada reflects Paramount's cost estimates and is discounted using a credit-adjusted discount rate. The estimated value Apache Canada's asset retirement obligation does not include amounts related to the Excluded Assets.
- iv. Provisions recognized upon the closing of the Apache Canada Acquisition of \$16.5 million consist of a lease market adjustment obligation of \$11.2 million and a midstream make-whole obligation of \$5.3 million.
- v. A \$386.2 million gain on acquisition will be recognized related to the recognition of the deferred income tax asset at an undiscounted amount. An adjustment related to the gain has not been included in the pro forma statements of net income (loss).

Notes to the Pro Forma Consolidated Financial Statements

(Unaudited)

(\$ thousands, except as noted)

B. Trilogy Merger

The following table summarizes the estimated amounts for the total consideration and for each major class of assets and liabilities expected to be recognized in respect of the Trilogy Merger. The total consideration amount remains subject to changes in market prices and option values and therefore the purchase price allocation is preliminary and subject to change.

Share consideration – Paramount Shares ⁽¹⁾	\$ 570,117
Paramount investment in Trilogy Shares ⁽¹⁾	101,273
Share-based compensation – Trilogy Options ⁽¹⁾	7,281
Total consideration	678,671
Working capital, net ⁽²⁾	(7,783)
Oil and gas assets ⁽¹⁾	1,322,276
Deferred income tax liability ⁽³⁾	(90,051)
Long term debt ⁽⁴⁾	(469,162)
Asset retirement obligation ⁽¹⁾	(76,609)
Net assets acquired	\$ 678,671

(1) Fair value estimated as at July 31, 2017.

(2) Based on the carrying value of working capital amounts in Trilogy's balance sheet as at June 30, 2017.

(3) Undiscounted value estimated as at July 31, 2017.

(4) Includes Trilogy's bank credit facility at its carrying value as at June 30, 2017 and the estimated fair value of Trilogy's 2019 Notes as at July 31, 2017.

- i. Pursuant to the Arrangement Agreement with Trilogy, Paramount will issue one Paramount Share for every 3.75 Trilogy Shares not already owned by the Company. Total share consideration of \$570.1 million has been determined based on the exchange ratio noted above, and the July 31, 2017 closing price of Paramount Shares of \$19.98 per share. The final number of Paramount Shares issued is subject to change. The value ascribed to such shares could be materially different at closing due to changes in the market price of Paramount Shares.
- ii. Paramount's investment in 19.1 million Trilogy Shares is included in the total consideration at a value of \$101.3 million based on the closing market price of Trilogy Shares on July 31, 2017. A gain of \$52.3 million was recorded in the pro forma balance sheet as at June 30, 2017 in respect of the increase to the carrying value of Paramount's investment that will be recorded upon the closing of the Trilogy Merger. An adjustment related to the gain has not been included in the pro forma statements of net income (loss).
- iii. In accordance with the Arrangement Agreement, following the closing of the Trilogy Merger holders of Trilogy Options will be entitled to purchase Paramount Shares rather than Trilogy Shares at an adjusted exercise price, based on the exchange ratio for the Trilogy Shares. As a result, the fair value of the vested Trilogy Options will be recognized by Paramount as additional consideration upon closing, based on a Black-Scholes option valuation with an estimated value of \$7.3 million as at July 31, 2017.
- iv. The allocation of amounts between property plant and equipment and exploration and evaluation assets will be finalized following the closing of the Trilogy Merger. These items are included in the "Oil and Gas Assets" line item above.
- v. The \$46.2 million carrying value of Trilogy's deferred tax asset was adjusted to a pro forma liability amount of \$90.0 million as a result of the Trilogy Merger. Paramount's \$37.4 million deferred tax liability and Trilogy's \$90.0 million pro forma deferred tax liability were reclassified and netted against the \$386.2 million deferred tax asset recognized in respect of the Apache Canada Acquisition.

Notes to the Pro Forma Consolidated Financial Statements

(Unaudited)

(\$ thousands, except as noted)

C. Foreign Exchange Translation

The Apache Canada balance sheet as at June 30, 2017 has been translated into Canadian dollars at an exchange rate of 1.00 \$US / 1.2977 \$CAD.

D. Asset Retirement Obligations

Asset retirement obligations ("ARO") of \$467.3 million and \$76.6 million recognized in respect of Apache Canada and Trilogy, respectively, will be subsequently remeasured in accordance with Paramount's accounting policy to reflect the discounted amount of the obligation using the applicable risk-free discount rate. The carrying value of the estimated ARO in respect of Apache Canada was increased by \$527.5 million and the carrying value of the Trilogy ARO was increased by \$145.6 million in the pro forma balance sheet as at June 30, 2017 to reflect the discounted amounts of each liability using the applicable risk-free rate.

E. Long-term Debt

Apache Canada's long-term intercompany debt will be settled prior to the closing of the Apache Canada Acquisition and accordingly, such debt reflected on Apache Canada's balance sheet as at June 30, 2017 has been eliminated.

F. Trilogy Goodwill

Trilogy's goodwill asset with a carrying amount of \$74.1 million as at June 30, 2017 will not be recognized by Paramount under IFRS 3 and therefore the balance has been excluded from the Company's pro forma assets.

G. Transaction Costs

Transaction costs of \$5.2 million have been recorded in the pro forma balance sheet as at June 30, 2017 in connection with the Apache Canada Acquisition and the Trilogy Merger, in addition to amounts recognized as at June 30, 2017. Transaction costs comprise estimated costs for legal, accounting, consulting and other costs associated with the completion of the Transactions.

4. PRO FORMA CONSOLIDATED STATEMENT OF NET INCOME (LOSS)

A. Foreign Exchange

The Apache Canada statement of net loss for the year ended December 31, 2016 was translated at an exchange rate of 1.00 \$US / 1.3248 \$CAD, the average rate for the period. The Apache Canada statement of net loss for the six months ended June 30, 2017 was translated at an exchange rate of 1.00 \$US / 1.3343 \$CAD, the average rate for the period.

B. Royalties

Royalties expense of \$35.0 million for the year ended December 31, 2016 and \$26.5 million for the six months ended June 30, 2017 presented as a reduction of revenue in Apache Canada's statement of net loss under US GAAP have been reclassified to royalties, consistent with the Company's financial statement presentation under IFRS.

Notes to the Pro Forma Consolidated Financial Statements

(Unaudited)

(\$ thousands, except as noted)

C. Depletion, Depreciation and Impairment

Depletion amounts recognized in the statement of net income (loss) have been adjusted to reflect the adjustment to the carrying value of depletable oil and gas assets as a result of the allocation of the purchase price for each of the Transactions and the adjustment to the carrying value of the ARO as a result of applying a risk-free discount rate consistent with Paramount's accounting policy. Depletion and depreciation for Apache Canada decreased by \$53.3 million for the year ended December 31, 2016 and \$14.3 million for the six months ended June 30, 2017. Depletion and depreciation for Trilogy decreased by \$3.3 million for the year ended December 31, 2016 and \$0.6 million for the six months ended June 30, 2017.

D. Deferred Income Tax

Deferred income tax expense has been adjusted to include the deferred tax impact of the pro forma adjustments. Income taxes applicable to the pro forma adjustments are calculated at a combined Canadian federal and provincial statutory rate of 27 percent.

E. Interest Expense

Interest and financing expense for Apache Canada was adjusted to eliminate intercompany interest of \$87.7 million for the year ended December 31, 2016 and \$41.3 million for the six months ended June 30, 2017. See note 3E.

F. Accretion

Accretion expense for Apache Canada was adjusted to reflect the amount that would have been recorded based on the carrying amount of the ARO after adjusting it to reflect Paramount's cost estimates and applying a risk-free rate consistent with Paramount's accounting policies. Accretion expense for Apache Canada was reduced by \$42.4 million for the year ended December 31, 2016 and \$20.7 million for the six months ended June 30, 2017. An adjustment was not required for the Trilogy ARO as Trilogy and Paramount both apply a risk-free discount rate.

G. Weighted Average Shares

Pro forma basic and diluted earnings per share are based on the number of Paramount Shares outstanding after giving effect to the Trilogy Merger as if it occurred on January 1, 2016.

<i>(thousands of shares)</i>	Six Months ended June 30, 2017	Year ended December 31, 2016
Basic weighted average number of shares	106,145	106,157
Paramount shares issued – Trilogy Merger	28,534	28,534
Basic – pro forma weighted average number of shares	134,679	134,691
Diluted – weighted average number of shares	107,036	106,392
Paramount shares issued – Trilogy Merger	28,534	28,534
Dilutive shares – Trilogy Options	121	—
Diluted – pro forma weighted average number of shares	135,691	134,926

**Any questions and requests for assistance may be directed to
Paramount's and Trilogy's Proxy Solicitation Agent:**

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