Paramount Resources Ltd.

Paramount Announces Third Quarter 2016 Results

CALGARY, Nov. 9, 2016 /CNW/ -

HIGHLIGHTS

- Paramount completed the divestiture of its oil and gas properties in the Musreau / Kakwa area of Alberta (the "Sale Transaction") in August 2016, significantly de-leveraging the Company and bolstering its balance sheet.

- Total proceeds from the Sale Transaction were $2.1 billion, including $0.5 billion in cash, 33.5 million shares of Seven Generations Energy Ltd. ("7G") and $0.6 billion of debt assumed by 7G. A $1.2 billion pre-tax gain was recorded on the sale.

- In the third quarter, the Company monetized 24.7 million of its 7G shares for gross proceeds of approximately $735 million.

- Paramount exited the third quarter of 2016 with a working capital surplus of $681 million, a portfolio of equity investments with a market value of $467 million and no drawings on its $100 million bank credit facility. The Company has $286.6 million principal amount of senior unsecured notes outstanding that are due in December 2019.

- The Company's next growth platform is its Montney development at Karr-Gold Creek, where five drilling rigs will be working in the fourth quarter of 2016 and a 40 MMcf/d expansion of the 6-18 compression and dehydration plant is scheduled to be completed in mid-2017, doubling available capacity.

- In the third quarter, Paramount completed its first 2.0 mile horizontal Montney well at Karr-Gold Creek. Over its initial 30 days on-stream, the well averaged 7.2 MMcf/d of raw natural gas and 1,280 Bbl/d of wellhead Liquids.

- Sales volumes for Paramount's ongoing operations averaged 11,148 Boe/d in the third quarter of 2016, including 3,235 Bbl/d of Liquids.

- Paramount implemented a normal course issuer bid in October 2016 under which it may purchase up to 5.4 million Common Shares for cancellation. To date, the Company has purchased 622,900 Common Shares at a total cost of $9.7 million.

ONGOING OPERATIONS

Paramount's average sales volumes for the third quarter of 2016 were 24,786 Boe/d, which included sales volumes from the properties sold to 7G up to August 18, 2016, the closing date of the sale. Sales volumes from the Company's ongoing operations were 11,148 Boe/d.

Following the Sale Transaction, the Company's main areas of operation are Karr-Gold Creek and Smoky-Resthaven in west central Alberta, Birch in northeast British Columbia and Willesden Green in southern Alberta. Near-term development activities are expected to be directed towards Montney production growth at Karr-Gold Creek.

Karr-Gold Creek

The Company is drilling longer horizontal Montney wells with higher intensity completions in its 2016/2017 capital program at Karr-Gold Creek. The Company continues to refine its well completion design and is including more frack stages and higher proppant loading intensities in future wells. Key elements of new wells being drilled and completed at Karr-Gold Creek include:

- 2.0 mile horizontal laterals;
- managed pressure drilling;
- slickwater completion fluids;
- up to 72 stages per lateral; and
- up to 100 metric tonnes of proppant placed per stage.

The new well design is expected to increase well productivity and recoverable reserves.

Paramount completed its initial 2.0 mile well (the 15-14 Well) at Karr-Gold Creek in August 2016 with slickwater completion fluids and 5,000 tonnes of proppant placed over 50 stages in a 2.0-mile lateral. Drilling of the 15-14 Well was completed in 41 days. Meters drilled per day for this well were 15 to 20 percent higher than rates for 1.0 mile wells drilled historically. Further reductions in drilling days are being pursued with the Company now executing on batch drilled multi-well pads. Newly completed wells will be tied in to infrastructure as soon as saleable hydrocarbons are recovered during post-frack flowback, limiting emissions and accelerating first sales from the wells. The Company has been implementing initial flowback and production procedures to manage operational risks and maximize the recovery of condensate.

The 15-14 Well was brought on production at controlled rates in early September. Initial flow rates from the well are shown in the table below:

15-14 Well	**IP 30**		**Cumulative**	
Natural gas[(1)]	**7.2**	*MMcf/d*	**387.0**	*MMcf*
Wellhead liquids[(1)]	**1,280**	*Bbl/d*	**66,874**	*Bbl*
CGR[(2)]	**178**	*Bbl/MMcf*	**173**	*Bbl/MMcf*

(1) Production volumes are the gross volumes measured at the wellhead separator over the initial 30 days of production ("IP 30") and cumulative volumes produced to November 3, 2016 ("Cumulative"). Excludes days when the well did not produce. Natural gas sales volumes are approximately 10 percent lower and stabilized condensate sales volumes are approximately 15 percent lower.

(2) Condensate to natural gas ratios (CGRs) were calculated by dividing total wellhead separator liquids volumes by total wellhead separator natural gas volumes.

Paramount plans to drill up to 24 and complete up to twelve 2.0 mile Montney wells at Karr-Gold Creek by mid-2017, with the first of the new wells scheduled to be brought on production in the first quarter of 2017. Capital costs to drill, complete and equip these wells are expected to average approximately $10.5 million.

Sales volumes at Karr-Gold Creek in the third quarter of 2016 averaged 5,237 Boe/d, including 1,714 Bbl/d of Liquids. Sales volumes increased to approximately 6,500 Boe/d in September following the start-up of the 15-14 Well. The Company currently has design capacity for 40 MMcf/d of raw gas production at its 6-18 compression and dehydration facility (the "Karr Facility"). The 2016/2017 drilling and completion program is expected to increase production in the first half of 2017 to fully utilize this existing Karr Facility.

Sales volumes are expected to increase further in the third quarter of 2017 as the 40 MMcf/d Karr Facility expansion is brought on-stream and additional new wells are brought on production. The remaining capital costs to complete the Karr Facility expansion are estimated to be approximately $20 million.

Other Areas

At Willesden Green, a previously drilled Duvernay well is scheduled to be completed in the fourth quarter of 2016 at a cost of approximately $6 million. The Company also plans to spud two Cretaceous wells at Smoky-Resthaven in the fourth quarter of 2016. These wells are expected to be brought on production in mid-2017 at an aggregate cost of approximately $20 million.

OPERATING AND FINANCIAL HIGHLIGHTS [(1)]
($ millions, except as noted)

	Three months ended September 30			**Nine months ended September 30**		
	2016	2015	*% Change*	**2016**	2015	*% Change*
Sales volumes – Ongoing Operations [(2)]						
Natural gas (MMcf/d)	**47.5**	51.8	(8)	**49.0**	50.2	(2)
Condensate and oil (Bbl/d)	**2,378**	3,216	(26)	**2,600**	2,621	(1)
Other NGLs (Bbl/d) [(3)]	**857**	1,112	(23)	**822**	1,178	(30)
Ongoing Operations (Boe/d)	**11,148**	12,952	(14)	**11,583**	12,165	(5)
Sold Properties (Boe/d) [(2)]	13,638	37,038	(63)	26,979	31,515	(14)
Total (Boe/d)	**24,786**	49,990	(50)	**38,562**	43,680	(12)
Operating Results – Ongoing Operations [(2)]						
Petroleum and natural gas sales	**25.8**	31.0	(17)	**66.6**	85.2	(22)
Average realized price ($/Boe)	**25.12**	26.05	(4)	**20.99**	25.65	(18)
Netback including commodity contract settlements	**17.9**	21.2	(16)	**48.2**	41.5	16
$/Boe	***17.49***	*17.83*	*(2)*	***15.19***	*12.50*	*22*

Principal Properties Capital (4)						
Kaybob	**19.6**	59.3	(67)	**54.9**	237.9	(77)
Grande Prairie	**22.8**	15.5	47	**30.8**	64.4	(52)
Other	**4.2**	15.7	(73)	**7.2**	64.6	(89)
Total	**46.6**	90.5	(49)	**92.9**	366.9	(75)
Funds flow from operations	**3.8**	36.9	(90)	**21.3**	72.2	(70)
per share – diluted ($/share)	***0.04***	*0.35*	*(89)*	***0.20***	*0.68*	*(70)*
Net income (loss)	**1,029.4**	(171.8)	699	**952.9**	(302.3)	415
per share – diluted ($/share)	***9.64***	*(1.62)*	*695*	***8.97***	*(2.86)*	*414*
Total assets				**2,130.3**	3,367.8	(37)
Working capital surplus (deficit) (5)				**681.3**	(131.3)	619
Investments in other entities – market value (6)				**466.7**	131.4	255
Long term debt (7)				**284.4**	1,678.3	(83)
Common shares outstanding (millions)				**106.3**	106.2	–

(1) Readers are referred to the advisories concerning Non-GAAP Measures and Oil and Gas Measures and Definitions in the Advisories section of this document.
(2) Sold Properties represent the Musreau / Kakwa oil and gas properties sold to 7G in the third quarter of 2016. Results of the Sold Properties are included in Paramount's results to the closing date of the sale, August 18, 2016. Results of Ongoing Operations, including Sales Volumes and Operating Results consist of Paramount's total results less amounts attributable to the Sold Properties.
(3) Other NGLs means ethane, propane and butane.
(4) Principal Properties Capital includes capital expenditures and geological and geophysical costs related to the Company's Principal Properties, excluding land acquisitions and capitalized interest.
(5) Working capital surplus (deficit) calculated as current assets less current liabilities, excluding accounts payable and accrued liabilities relating to the Company's obligation to renounce qualifying expenditures for flow-through share issuances.
(6) Based on the period-end closing prices of publicly-traded investments and the book value of the remaining investments.
(7) Net of unamortized issuance costs.

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

Paramount's third quarter 2016 results, including Management's Discussion and Analysis and the Company's Consolidated Financial Statements will be made available through Paramount's website at www.paramountres.com and SEDAR at www.sedar.com.

ADVISORIES

Forward Looking Information

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

- projected sales volumes (including increased well productivity and enhanced capital efficiencies from 2.0 mile wells);
- exploration, development, and associated operational plans and strategies (including planned drilling programs, well tie-ins, and facility expansions) and the anticipated timing and costs of such activities; and
- general business strategies and objectives.

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

- future natural gas and Liquids prices;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates and interest rates;

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

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

- fluctuations in natural gas and Liquids prices;
- changes in foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future revenue, future production, reserve additions, Liquids yields (including condensate to natural gas ratios), resource recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate product processing, transportation, de-ethanization, fractionation, and storage capacity on acceptable terms;
- operational risks in exploring for, developing and producing, natural gas and Liquids;
- the ability to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost;
- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities (including third-party facilities);
- processing, pipeline, de-ethanization, and fractionation infrastructure outages, disruptions and constraints;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves and resources estimates;
- general business, economic and market conditions;
- the ability to generate sufficient cash flow from operations and obtain financing to fund planned exploration, development and operational activities and meet current and future commitments and obligations (including product processing, transportation, de-ethanization, fractionation and similar commitments and debt obligations);
- changes in, or in the interpretation of, laws, regulations or policies (including environmental laws);
- the ability to obtain required governmental or regulatory approvals in a timely manner, and to enter into and maintain leases and licenses;
- the effects of weather;
- the timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- uncertainties regarding aboriginal claims and in maintaining relationships with local populations and other stakeholders;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities.

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

Non-GAAP Measures

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

Funds flow from operations refers to cash from operating activities before net changes in operating non-cash working capital, geological and geophysical expenses and asset retirement obligation settlements. Funds flow from operations is commonly used in the oil and gas industry to assist management and investors in measuring the Company's ability to fund capital programs and meet financial obligations. Netback equals petroleum and natural gas sales less royalties, operating costs and transportation and NGLs processing costs. Netback is commonly used by management and investors to compare the results of the Company's oil and gas operations between periods. Principal Properties Capital includes capital expenditures and geological and geophysical costs related to the Company's Principal Properties business segment, and excludes land acquisitions and capitalized interest. The Principal Properties Capital measure provides management and investors with information regarding the Company's Principal Properties spending on wells and infrastructure projects separate from land acquisition activity and capitalized interest. Refer to the Exploration and Capital Expenditures section of the Company's Management's Discussion and Analysis for the period. Working Capital Surplus (Deficit) is calculated as current assets less current liabilities, excluding accounts payable and accrued liabilities relating to the Company's obligation to renounce qualifying expenditures for flow-through share issuances. Investments in other entities – market value reflects the Company's investments in enterprises whose securities trade on a public stock exchange at their period end closing price (e.g. 7G, Trilogy Energy Corp., MEG Energy Corp., Marquee Energy Ltd., RMP Energy Inc., Strategic Oil & Gas Ltd. and others), and investments in all other entities at book value. Paramount provides this information because the market values of equity-accounted investments, which are significant assets of the Company, are often materially different than their carrying values.

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

Oil and Gas Measures and Definitions

This document contains disclosures expressed as "Boe", "$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the nine months ended September 30, 2016, the value ratio between crude oil and natural gas was approximately 28:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value. The term "Liquids" is used to represent oil, condensate and Other NGLs. NGLs consist of condensate and Other NGLs. The term "Other NGLs" means ethane, propane and butane.

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