Paramount Resources Ltd.

Paramount Resources Ltd. Announces 2016 Results: Karr-Gold Creek P+P Reserves Increase 194 Percent to 84.3 MMBoe; 2017 Annual Sales Volumes Projected to Average Approximately 20,000 Boe/d

CALGARY, March 9, 2017 /CNW/ -



Oil and Gas Operations[(1)]

- Paramount's fourth quarter 2016 sales volumes averaged 11,901 Boe/d (34 percent liquids), including approximately 5,500 Boe/d (38 percent liquids) from Karr-Gold Creek. The Company's annual sales volumes were 31,860 Boe/d, including 11,656 Boe/d from Ongoing Operations and 20,204 Boe/d related to the Musreau Assets.
- Five new wells on the 4-19 and 15-27 pads at Karr-Gold Creek have produced a total of approximately 250,000 barrels of condensate since first production in late-December 2016.
- Paramount's sales volumes averaged approximately 16,000 Boe/d for the month ofFebruary 2017 (50 percent liquids).
- Four wells at the new 16-36 pad at Karr-Gold Creek are scheduled to be brought on production at the end of April. Karr-Gold Creek production will be constrained until the 40 MMcf/d 6-18 Facility expansion is completed in the second quarter.
- Principal Properties capital expenditures in the fourth quarter of 2016 totaled$78.2 million, with the majority of spending directed towards the Company's Karr-Gold Creek development. Total Principal Properties capital spending for 2016 was $171.0 million, including $92.5 million at Karr-Gold Creek and $52.5 million related to the Musreau Assets.
- In 2016, the Company closed dispositions of non-core properties for aggregate cash proceeds of approximately$22.5 million.
- Paramount's 2017 capital program is expected to total approximately$325 million, excluding land acquisitions, with about $200 million directed towards Karr-Gold Creek.
- Development activities at Karr-Gold Creek are currently focused on a 27-well horizontalMontney drilling and completion program (the "Karr Program"). By the end of 2017, the Company expects to have completed up to 22 of the 27 wells, with the remaining wells to be completed in 2018. The Karr Program wells will be brought on production through 2017 and 2018 to fill the expanded 6-18 Facility.
- Sales volumes in 2017 are projected to average approximately 20,000 Boe/d, despite the scheduled outage of a third-party processing facility that is expected to shut-in Karr-Gold Creek production for most of September. Fourth quarter sales volumes are expected to average over 30,000 Boe/d.

(1) In August 2016, the Company sold the majority of its oil and gas properties in the Musreau/Kakwa area of west central Alberta (the "Musreau Assets") to Seven Generations Energy Ltd. ("7Gen") for total consideration of approximately $2.1 billion (the "Musreau Disposition"). Disclosures of results and changes from prior periods for "Ongoing Operations" exclude amounts attributable to the Musreau Assets.

RESERVES — ONGOING OPERATIONS [(2)]

- In 2016, proved reserves for Paramount's Ongoing Operations increased 124 percent to 59.6 MMBoe (replacement ratio of 9 times) and proved plus probable ("P+P") reserves increased 159 percent to 115.2 MMBoe (replacement ratio of 18 times), after production of 4.3 MMBoe.
- The increase in Ongoing Operations reserves in 2016 was driven by growth at Karr-Gold Creek, where proved reserves increased 216 percent to 48.8 MMBoe and P+P reserves increased 194 percent to 84.3 MMBoe.
- P+P finding and development ("F&D") costs for Ongoing Operations in 2016 were$8.29 per Boe in total and$8.60 per Boe for Karr-Gold Creek.
- The NPV_{10} of future net revenue for Ongoing Operations increased 175 percent to$424 million for proved reserves and 206 percent to $810 million for P+P reserves.

CORPORATE

- The Company exited 2016 with cash and cash equivalents of$622 million, no indebtedness and an undrawn $100 million

bank credit facility.

- Paramount realized total proceeds from the sale of its Musreau natural gas processing plant, the Musreau Assets, the Cavalier Royalty and non-core property dispositions of $2.75 billion in 2016, recording aggregate pre-tax gains of $1.5 billion.
- Funds flow from operations totaled $14.3 million in the fourth quarter and $35.7 million for 2016.
- In January 2017, Paramount distributed its remaining 3.8 million 7Gen common shares, valued at $119.0 million at December 31, 2016, to shareholders by way of dividend.
- Paramount has hedged 2,000 Bbl/d of liquids at an average WTI price of C$70.43/Bbl and 1,000 Bbl/d of liquids at a WTI price of US$54.50/Bbl for 2017. The Company has also locked in US$3.4 million of gains on natural gas hedging contracts that will be received over the remainder of 2017.

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(2) The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

FINANCIAL AND OPERATING HIGHLIGHTS (1)

($ millions, except as noted)

	Three months ended December 31			Twelve months ended December 31		
	2016	2015	*% Change*	**2016**	2015	*% Change*
Sales volumes						
Natural gas (MMcf/d)	**47.5**	52.5	*(10)*	**48.6**	50.8	*(4)*
Condensate and oil (Bbl/d)	**2,943**	3,359	*(12)*	**2,688**	2,807	*(4)*
Other NGLs (Bbl/d) (2)	**1,046**	661	*58*	**875**	1,047	*(16)*
Ongoing Operations (Boe/d)	**11,901**	**12,765**	***(7)***	**11,656**	**12,316**	***(5)***
Musreau Assets (Boe/d)	**–**	32,701	*(100)*	20,204	31,814	*(36)*
Total (Boe/d)	11,901	45,466	*(74)*	31,860	44,130	*(28)*
Petroleum and natural gas sales	**32.3**	91.3	*(65)*	**248.8**	376.8	*(34)*
Netback	**17.0**	48.9	*(65)*	**93.1**	210.7	*(56)*
($/Boe)	***15.53***	*11.70*		***7.99***	*13.08*	
Funds flow from operations	**14.3**	21.0	*(32)*	**35.7**	93.2	*(62)*
per share – diluted ($/share)	***0.13***	*0.20*		***0.34***	*0.88*	
Net income (loss)	**212.4**	(599.0)	*NM*	**1,165.3**	(901.3)	*NM*
per share – diluted ($/share)	***1.99***	*(5.64)*		***10.95***	*(8.52)*	
Principal Properties Capital (3)	**78.2**	64.7	*21*	**171.0**	429.9	*(60)*
Investments in other entities – market value (4)(5)				**208.7**	130.8	*60*
Total assets				**2,059.0**	2,781.0	*(26)*
Net cash (debt)				**565.9**	(1,904.6)	*NM*
Common shares outstanding (*thousands*)				**105,787**	106,234	

(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. This table contains the following Non-GAAP measures: Netback, Funds flow from operations, Principal Properties Capital, Investments in other entities – market value and Net cash (debt).

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

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

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

(5) Excludes 3.8 million class A common shares of 7Gen classified as "Investments in Securities for Distribution" having a carrying value and market value of $119.0 million as at December 31, 2016. These shares were distributed to Paramount's shareholders by way of dividend in January 2017.

NM Not meaningful

RESERVES (1)(2)(3)

	PRINCIPAL PROPERTIES (4)					
	Proved			Proved plus Probable		
	2016	2015	*% Change*	**2016**	2015	*% Change*
Ongoing Operations						
Natural gas (Bcf)	**238.0**	99.6	*139*	**463.3**	165.8	*179*
NGLs (MBbl)	**19,100**	9,343	*104*	**36,736**	15,847	*132*
Light and Medium crude oil (MBbl)	**882**	741	*19*	**1,219**	1,021	*19*
Total Ongoing Operations (MBoe)	**59,645**	26,682	*124*	**115,173**	44,509	*159*
Musreau Assets (MBoe)	–	199,658	*(100)*	–	293,124	*(100)*
Total (MBoe)	59,645	226,340	*(74)*	115,173	337,633	*(66)*
Future Net Revenue NPV_{10} ($ millions)						
Ongoing Operations	**424**	**154**	*175*	**810**	**265**	*206*
Musreau Assets	–	1,454	*(100)*	–	2,790	*(100)*
Total	424	1,608	*(74)*	810	3,055	*(73)*

Principal Properties Finding and Development Costs	**2016**	**Three-Year Average**	**2016**	**Three-Year Average**
Karr-Gold Creek ($/Boe)	**12.15**	**15.90**	**8.60**	**11.34**
Ongoing Operations ($/Boe)	**12.16**	**20.73**	**8.29**	**13.40**

(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) Reserves evaluated and reviewed, as applicable, by the Company's independent reserves evaluator, McDaniel & Associates Consultants Ltd. ("McDaniel") as of December 31, 2016 in accordance with National Instrument 51-101 definitions, standards and procedures. Amounts are working interest reserves before royalty deductions. Net present values of future net revenue were determined using forecast prices and costs and do not represent fair market value.

(3) Ongoing Operations excludes amounts attributable to the Musreau Assets. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

(4) Excludes 93.5 MMBbl of probable bitumen oil sands reserves.

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

Paramount's 2016 annual results, including Management's Discussion and Analysis and the Company's Consolidated Financial Statements can be obtained at: http://files.newswire.ca/1509/PRL2016AnnualResults.pdf.

This information will also be made available through Paramount's website atwww.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 production and sales volumes and the timing thereof;

- forecast capital expenditures;
- exploration, development, and associated operational plans and strategies (including planned drilling and completion programs, well tie-ins, and facility expansions, and the anticipated timing thereof);
- scheduled outages of third-party processing facilities including the timing, duration and impact thereof;
- estimated reserves and the discounted present value of future net revenues therefrom; 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 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", "Net cash (debt)", "Principal Properties Capital", "Investments in other entities – market value" and "Finding and development costs", 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. Refer to the Consolidated Results and Fourth Quarter 2016 Results sections of the Company's Management's Discussion and Analysis for the year ended December 31, 2016 for the calculation of funds flow from operations. Netback equals petroleum and natural gas sales less royalties, operating costs and transportation and NGLs processing costs. Netback is commonly used by management and investors to compare the results of the Company's oil and gas operations between periods. Refer to the Principal Properties and Fourth Quarter 2016 Results sections of the Company's Management's Discussion and Analysis for the year ended December 31, 2016 for the calculation of netback. Net cash (debt) is a measure of the Company's overall debt position after adjusting for certain working capital amounts and is used by management to assess the Company's overall leverage position. Refer to the Liquidity and Capital Resources section of the Company's Management's Discussion and Analysis for the year ended December 31, 2016 for the calculation of Net cash (debt). 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 year ended December 31, 2016. Investments in other entities – market value reflects the Company's investments in enterprises whose securities trade on a public stock exchange at their period end closing price (e.g. Trilogy Energy Corp., MEG Energy Corp., Marquee Energy Ltd., RMP Energy Inc., Strategic Oil & Gas Ltd. and others), and investments in all other entities at book value and excludes 3.8 million 7Gen Shares that were distributed to Paramount's shareholders by way of dividend in January 2017. Paramount provides this information because the market values of equity-accounted investments, which are significant assets of the Company, are often materially different than their carrying values. Refer to the Strategic Investments section of the Company's Management's Discussion and Analysis for the year ended December 31, 2016 for information on carrying and market values. The Finding and development costs ("F&D") measure is commonly used by management and investors to assess the relationship between capital invested in oil and gas exploration and development projects and reserve additions associated with such projects. Refer to Oil and Gas Measures and definitions below.

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

Abbreviations

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

Natural Gas	
Mcf/d	Thousands of cubic feet
MMcf/d	Millions of cubic feet per day
Bcf	Billions of cubic feet
MMcf/d	Millions of cubic feet per day

Oil Equivalent	
Boe	Barrels of oil equivalent
Boe/d	Barrels of oil equivalent per day
MBoe	Thousands of barrels of oil equivalent
MMBoe	Millions of barrels of oil equivalent

This document contains disclosures expressed as "Boe", "$/Boe", MBoe, MMBoe 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 year ended December 31, 2016, the value ratio between crude oil and natural gas was approximately 27:1. 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.

The reserves replacement disclosure herein was calculated in respect of Ongoing Operations for each of proved and proved plus probable reserves as the sum of extensions and discoveries, technical revisions and economic factors for the year divided by the sales volumes from Ongoing Operations for 2016.

Principal Properties Finding and Development Costs per Boe are presented in respect of: (i) Ongoing Operations, which excludes amounts attributable to the Musreau Assets; and (ii) the Karr-Gold Creek property. For clarity, this calculation excludes capital costs and reserves volumes related to oil sands and exploratory shale gas properties within Paramount's Strategic Investments business segment. The calculation of the F&D costs per Boe are set out below:

	2016					
	Capital [2]	Change in FDC [3]	Total F&D Capital	Reserves Additions [4]	F&D	Three-Year Average [5]
	($ millions)	($ millions)	($ millions)	(MMBoe)	($/Boe)	($/Boe)
Proved [1]						
Karr-Gold Creek	91.3	334.8	426.1	35.1	**12.15**	**15.90**
Principal Properties - Ongoing Operations	118.5	340.0	458.5	37.7	**12.16**	**20.73**
Proved plus Probable [1]						
Karr-Gold Creek	91.3	401.6	492.9	57.3	**8.60**	**11.34**
Principal Properties - Ongoing Operations	118.5	507.7	626.3	75.6	**8.29**	**13.40**

(1) F&D costs related to Ongoing Operations exclude capital costs, future development capital and reserves attributable to the Musreau Assets.
(2) Aggregate Principal Properties exploration and development costs incurred for the year ended December 31, 2016.
(3) Change in estimated future development costs from December 31, 2015 to December 31, 2016.
(4) Reserves additions were calculated as the aggregate of extensions & discoveries, technical revisions and economic factors for the year ended December 31, 2016. Excludes acquisitions and dispositions.
(5) Three-year average finding and development ("F&D") costs are calculated using the aggregate capital costs, changes in future development capital and reserves additions over the three-year period December 31, 2013 to December 31, 2016. Amounts for 2014 and 2015 were calculated on the same basis as for the year ended December 31, 2016.

SOURCE Paramount Resources Ltd.

For further information: Paramount Resources Ltd., J.H.T. (Jim) Riddell, President and Chief Executive Officer, B.K. (Bernie) Lee, Chief Financial Officer, www.paramountres.com, Phone: (403) 290-3600

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https://paramount.mediaroom.com/2017-03-09-Paramount-Resources-Ltd-Announces-2016-Results-Karr-Gold-Creek-P-P-Reserves-Increase-194-Percent-to-84-3-MMBoe-2017-Annual-Sales-Volumes-Projected-to-Average-Approximately-20-000-Boe-d