Paramount Resources Ltd. Second Quarter 2013 Results Musreau Deep Cut Facility Takes Shape - Commissioning to Begin in Q4/13; Bank Credit Facility Increased to \$450 Million

CALGARY, ALBERTA - Aug. 7, 2013 /CNW/ - Paramount Resources Ltd. (TSX:POU)

SECOND QUARTER OVERVIEW

Principal Properties

- The final stages of construction of the Company's wholly-owned 200 MMcf/d deep cut facility at Musreau (the "Musreau Deep Cut Facility") will be completed over the next few months and the project remains in-line with budget. Commissioning of the major components will begin in the fourth quarter of 2013.
- Advance drilling for the deep cut facility expansions at Musreau and Smoky continued. Paramount currently has an
 inventory of 45 (37.2 net) wells with estimated first month deliverability exceeding 250 MMcf/d (200 MMcf/d net) of raw
 gas.
- The Company achieved significant reductions in drilling time with its walking drilling rigs on its latest pads, drilling Montney wells in Musreau in less than 30 days compared to approximately 45 days for Montney wells drilled in 2012.
- Based on positive middle-Montney drilling results at Karr-Gold Creek in the Grande Prairie COU, the Company is planning to drill up to five additional horizontal wells during the remainder of 2013.
- Second quarter netbacks increased 80 percent to \$37.8 million in 2013 from \$21.0 million in 2012, despite the impact of third-party downstream disruptions and spring road bans which curtailed production by approximately 4,000 Boe/d, including the temporary shut-in of high liquids content Montney wells.
- Kaybob COU sales volumes increased 14 percent to 13,901 Boe/d in the second quarter of 2013 compared to 12,236 Boe/d in 2012. Total Company sales volumes in the second quarter of 2013 averaged 20,790 Boe/d compared to 21,474 Boe/d in 2012.
- Kaybob COU operating expenses have averaged approximately \$4.00 per Boe in 2013, and less than \$4.00 per Boe within the Musreau area, after accounting for processing income.
- Paramount continued to rationalize its non-core assets, including the disposition of its Ante Creek property, to focus on the
 opportunities that generate the best returns.

Corporate

- Paramount's bank credit facility (the "Facility") has been increased by \$150 million to \$450 million. The Facility was undrawn at June 30, 2013.
- The Company raised \$150.9 million through the issuance of 4.0 million common shares in May 2013.

Strategic Investments

- Drilling operations at the Company's shale gas exploratory well in Dunedin will resume in September following the
 completion of an all-season access road. The Company's shale gas exploratory well at Patry is expected to be tied-in later
 in the year.
- Paramount's wholly-owned subsidiary, Cavalier Energy Inc., continued with front-end engineering and design work for the first phase of the Hoole Grande Rapids project, funded with Cavalier's own credit facility.
- Fox Drilling's five rigs are fully deployed on the Company's lands in the Deep Basin.

FINANCIAL AND OPERATING HIGHLIGHTS⁽¹⁾⁽²⁾

(\$ millions, except as noted)

	Three months ended June 30			Six months ended June 30		30
	2013	2012	% Change	2013	2012	% Change
Financial						
Petroleum and natural gas sales	59.4	46.5	28	120.8	101.2	19
Funds flow from operations	22.3	12.1	84	38.8	25.0	55
Per share - diluted (\$/share)	0.24	0.15	60	0.42	0.28	50
Net income (loss)	(22.1)	-	(100)	(21.8)	124.5	(118)
Per share - basic (\$/share)	(0.24)	-		(0.24)	1.46	
Per share - diluted (\$/share)	(0.24)	-		(0.24)	1.43	

Exploration and development expenditures	94.0	66.4	42	239.2	208.6	15
Investments in other entities - market value ⁽³⁾				759.1	611.4	24
Total assets				2,084.4	1,777.3	17
Net debt ⁽⁴⁾				803.3	472.8	70
Common shares outstanding (thousands)				95,375	85,498	12
Operating						
Sales volumes						
Natural gas (MMcf/d)	107.6	106.2	1	110.6	97.4	14
NGLs (Bbl/d)	2,126	1,973	8	2,392	1,813	32
Oil (Bbl/d)	722	1,808	(60)	859	2,097	(59)
Total (Boe/d)	20,790	21,474	(3)	21,685	20,144	8
Average realized price						
Natural gas (\$/Mcf)	3.97	2.09	90	3.71	2.40	55
NGLs (\$/Bbl)	71.84	69.63	3	72.90	73.71	(1)
Oil (\$/Bbl)	85.98	78.65	9	85.05	84.66	-
Total (\$/Boe)	31.41	23.82	32	30.76	27.62	11
Net wells drilled (excluding oil sands evaluation)	6	8	(25)	15	19	(21)
Net oil sands evaluation wells drilled	-	-	-	6	1	500

- (1) Readers are referred to the advisories concerning non-GAAP measures and oil and gas definitions in the Advisories section of this document.
- (2) Amounts include the results of discontinued operations. Refer to Paramount's Management's Discussion and Analysis for the three and six months ended June 30, 2013.
- (3) Based on the period-end closing prices of publicly-traded enterprises and the book value of the remaining investments.
- (4) Net debt is a non-GAAP measure, it is calculated and defined in the Liquidity and Capital Resources section of Paramount's Management's Discussion and Analysis for the three and six months ended June 30, 2013.

OUTLOOK

As a result of continued drilling success in Paramount's Deep Basin lands and higher than expected liquids yields from Montney formation wells, the Company has increased its total 2013 exploration and development ("E&D") and Strategic Investments budget by \$100 million to approximately \$650 million, excluding land acquisitions and capitalized interest.

The Company's 2013 E&D spending is primarily focused on the Kaybob COU's Deep Basin development, including completing construction of the Musreau Deep Cut Facility and drilling wells to feed the new facility. The Company is also active drilling middle Montney wells at Karr-Gold Creek in the Grande Prairie COU. Strategic Investment capital spending is being directed towards shale gas exploration activities in the Liard Basin and continued front-end engineering and design work for the initial phase of the Hoole Grand Rapids development within Cavalier Energy.

Sales volumes are expected to range between 21,000 Boe/d and 25,000 Boe/d, depending upon the availability of downstream NGLs transportation and processing capacity, until the expansion of a third-party NGLs pipeline is completed, additional NGLs fractionation capacity is available and the Musreau Deep Cut Facility is on-stream.

Upon start-up of the Musreau Deep Cut Facility, the Company will have owned and firm-service contracted natural gas processing capacity of 279 MMcf/d, which will increase to 309 MMcf/d with the expansion of the non-operated processing facility at Smoky in the second half of 2014. Corporate production is expected to ramp up in 2014 to over 50,000 Boe/d, with the timing dependent on the completion of downstream NGLs fractionation facilities expansions in which Paramount has secured long-term firm service capacity.

ADDITIONAL INFORMATION

ABOUT PARAMOUNT

Paramount Resources Ltd. is a Canadian oil and natural gas exploration, development and production company with operations focused in Western Canada. Paramount's common shares are listed on the Toronto Stock Exchange under the symbol "POU".

A copy of the Company's second quarter 2013 report, including Management's Discussion and Analysis and the unaudited Interim Condensed Consolidated Financial Statements, can be obtained at: download/2013+Aug+7.pdf.

This information will also be made available through: SEDAR at www.sedar.com and Paramount's website at http://www.paramountres.com/investor-relations/quarterlies.html.

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", "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 growth and the timing thereof (including expected first month production volumes from the Kaybob COU's inventory of behind-pipe wells);
- · forecast capital expenditures;
- exploration, development, and associated operational plans and strategies (including planned drilling programs and well tie-ins) and the anticipated timing thereof;
- the projected availability of third party facilities to process, transport and/or fractionate natural gas and NGLs production;
- projected timelines for constructing, commissioning and/or starting-up new and expanded deep cut gas processing facilities, and the Kaybob COU's projected processing capacity following the completion of such facilities; and
- · 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 oil, bitumen, natural gas, NGLs and other commodity prices;
- royalty rates, taxes and capital, operating, general & 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;
- 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, fractionation and storage capacity on acceptable terms;
- the ability of Paramount to market its oil, bitumen, natural gas and NGLs 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 and NGLs yields) 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 current 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. These risks and uncertainties include and/or relate (but are not limited) to:

- fluctuations in oil, bitumen, natural gas, NGLs and other commodity prices;
- changes in foreign currency exchange rates and interest rates:
- the uncertainty of estimates and projections relating to future revenue, future production, NGLs yields, royalty rates, taxes and costs and expenses;
- the ability to secure adequate product processing, transportation, fractionation and storage capacity on acceptable terms;
- operational risks in exploring for, developing and producing crude oil, bitumen, natural gas and NGLs;
- the ability to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost;
- potential disruptions or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities (including third party facilities);
- 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 at an acceptable cost to fund planned exploration, development and operational activities and meet current and future obligations (including costs of anticipated new and expanded facilities and other projects and product, processing, transportation, fractionation and similar commitments);
- 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 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;
- potential lawsuits and regulatory actions; and
- other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities, including its Annual Information Form.

The foregoing list of risks is not exhaustive. Additional information concerning these and other factors which could impact Paramount, its operations and its financial condition are included in Paramount's most recent 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", "Funds flow from operations per share - diluted", "Netback", "Net Debt", "Exploration and development expenditures" 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, production taxes and transportation costs. Netback is commonly used by management and investors to compare the results of the Company's oil and gas operations between periods. Net 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 period for the calculation of Net Debt. Exploration and development expenditures refer to capital expenditures and geological and geophysical costs incurred by the Company's COUs (excluding land and acquisitions). The exploration and development expenditure measure provides management and investors with information regarding the Company's Principal Property spending on drilling and infrastructure projects, separate from land acquisition activity. Investments in other entities - market value reflects the Company's investments in enterprises whose securities trade on a public stock exchange at their period end closing price (e.g. Trilogy, MEG Energy, MGM Energy, Strategic, RMP 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" and "Boe/d". All oil and 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 "liquids" is used to represent oil and natural gas liquids.

During the second quarter of 2013, the value ratio between crude oil and natural gas was approximately 22:1. 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 Kaybob COU's estimated behind pipe production inventory is based on the Company's 4.9 Bcf type curve for Falher formation wells and 3.7 Bcf type curve for Montney formation wells.

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