

Paramount Resources Ltd. Announces Q1 2015 Results; April 2015 Sales Volumes Average Approximately 42,000 Boe/d; Condensate Stabilizer Expansion to Start-Up Imminently

CALGARY, ALBERTA - May 6, 2015 /CNW/ - Paramount Resources Ltd. (TSX:POU)

OIL AND GAS OPERATIONS

- First quarter 2015 sales volumes were 38,317 Boe/d, 82 percent higher than the first quarter of 2014. Sales volumes averaged over 40,000 Boe/d in February before being impacted by a five-day shut-down at Musreau due to a third-party natural gas pipeline outage.
- First quarter 2015 liquids sales volumes totaled 13,551 Bbl/d, 279 percent higher than the same period in 2014, including 6,583 Bbl/d of condensate and oil. Approximately 35 percent of first quarter sales volumes and 48 percent of total revenue were from liquids.
- Paramount's sales volumes averaged approximately 42,000 Boe/d in April 2015, as the Company increased production levels and liquids recoveries following the completion of a third-party downstream NGLs facility expansion.
- Sales volumes are expected to surpass 70,000 Boe/d following the start-up of Paramount's 15,000 Bbl/d condensate stabilizer expansion. Construction is complete and the new facility has been handed over to Paramount's operations team for imminent start-up.
- The Kaybob COU's first quarter 2015 operating expense was approximately \$3.50 per Boe. Paramount's operating expense per Boe was \$5.36 in the first quarter of 2015, 44 percent lower than the first quarter of 2014. The Company's per-unit operating costs are expected to continue to decrease.
- Netbacks in the first quarter of 2015 were \$45.1 million compared to \$55.7 million in the same period in 2014, as the growth in sales volumes and the reduction in per-unit operating costs was more than offset by the collapse in commodity prices.
- First quarter 2015 exploration and capital expenditures totaled \$223.6 million, including \$188.2 million for Principal Properties and \$29.9 million for Strategic Investments.

STRATEGIC INVESTMENTS

- Drilling operations commenced at the c-37-D La Biche shale gas well in the Liard Basin in the first quarter and have now been suspended for the season due to spring break-up. The Company expects to complete drilling operations in the 2015/2016 winter drilling season.

CORPORATE

- General and administrative expense per Boe decreased 49 percent to \$1.86 in the first quarter of 2015 compared to \$3.64 in the first quarter of 2014.
- Paramount has liquids hedging contracts in place for 3,000 Bbl/d in the second half of 2015 at an average WTI price of CDN\$74.06/Bbl and 8,000 Bbl/d for calendar 2016 at an average WTI price of CDN\$75.62/Bbl¹.
- Standard & Poor's Ratings Services ("S&P") upgraded its rating on the Company's senior unsecured notes to "BB-" in April 2015, following the significant increase in Paramount's year-end 2014 reserves. S&P continues to assign Paramount a corporate credit rating of "B", positive outlook.
- Pursuant to a private placement, Paramount raised \$37.2 million in April 2015 through the issuance of 0.9 million flow-through Common Shares to arms-length investors.

OUTLOOK

- Annual sales volumes for 2015 are expected to average between 55,000 and 65,000 Boe/d, with liquids representing about 45 percent of total volumes, as new wells are brought on production from the Company's inventory of 45 behind-pipe Deep Basin wells (as of April 30, 2015).
- The Company's current 2015 capital budget is \$400 million, focused on its Deep Basin development and maintaining the optionality of future growth initiatives. The Company's capital budget remains flexible and activity levels may be adjusted depending on commodity prices and other factors.
- Paramount has incurred over 50 percent of its 2015 capital budget to date. Activity levels are expected to slow down for the balance of the year. As sales volumes continue to ramp up, the Company expects that funds flow from operations will exceed capital spending in the second half of the year, resulting in the repayment of bank debt and the strengthening of leverage metrics.
- Paramount continues to focus on reducing costs while expanding its liquids-rich developments in the Deep Basin, despite the collapse in commodity prices.

¹ Certain of the 2016 contracts are denominated in \$USD. These contracted prices have been converted using a

foreign exchange rate of \$1.21 CDN / \$1 USD.

FINANCIAL AND OPERATING HIGHLIGHTS ⁽¹⁾

(\$ millions, except as noted)

Three months ended March 31	2015	2014	% Change
Sales volumes			
Natural gas (MMcf/d)	148.6	104.7	42
Condensate and oil (Bbl/d)	6,583	2,686	145
Other NGLs (Bbl/d) ⁽²⁾	6,968	893	680
Total (Boe/d)	38,317	21,028	82
<i>% Liquids</i>	35%	17%	
Petroleum and natural gas sales	80.2	86.2	(7)
Average realized price (\$/Boe)	23.26	45.56	(49)
Operating expense per Boe (\$/Boe)	5.36	9.62	(44)
Netback	45.1	55.7	(19)
<i>\$/Boe</i>	13.06	29.40	
Funds flow from operations	15.7	33.5	(53)
<i>per share - diluted (\$/share)</i>	0.15	0.34	
Net loss	(70.3)	(8.9)	690
<i>per share - diluted (\$/share)</i>	(0.67)	(0.09)	
Principal Properties Capital ⁽³⁾	188.2	168.9	11
Cash proceeds from divestitures ⁽⁴⁾	5.5	3.9	41
Investments in other entities - market value ⁽⁵⁾	260.5	718.5	(64)
Total assets	3,366.3	2,614.6	29
Net Debt	1,683.3	1,273.7	32
Common shares outstanding (thousands)	104,893	97,532	8

- (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) 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) Excludes shares of other companies and/or properties received in consideration for properties sold.
- (5) Based on the period-end closing prices of publicly-traded investments and the book value of the remaining investments.

ADDITIONAL INFORMATION

About Paramount

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 principal properties are 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 first quarter 2015 report, including Management's Discussion and Analysis and the Company's Consolidated Financial Statements, can be obtained at: [download/2015+May+6.pdf](#)

This information will also 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 production and sales volumes (including the liquids component thereof);
- forecast capital expenditures;
- exploration, development, and associated operational plans and strategies, and the anticipated timing thereof;
- anticipated increases in funds flow from operations and decreases in per unit operating and other costs;
- the repayment of bank debt and strengthening of the Company's leverage metrics that is expected to occur in the second half of 2015;
- projected timelines for starting-up new and expanded natural gas processing and/or associated 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 natural gas, condensate, Other NGLs, oil and bitumen 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, de-ethanization, fractionation, and storage capacity on acceptable terms;
- the ability of Paramount to market its natural gas, condensate, Other NGLs, oil and bitumen 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 is reasonable, undue reliance should not be placed on it 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, condensate, Other NGLs, oil and bitumen 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, condensate, Other NGLs, oil and bitumen;
- 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);
- industry wide 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 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, de-ethanization, 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 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 Debt", "Exploration and Capital Expenditures", "Principal Properties Capital", "Investments in other entities - market value" and "Cash proceeds from divestitures", 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. 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 capital expenditures consist of the Company's spending on drilling and infrastructure projects, land and property acquisitions, capitalized interest and geological and geophysical costs incurred.

The closest GAAP measure to exploration and development expenditures is property, plant and equipment and exploration cash flows under investing activities in the Company's Consolidated Statement of Cash Flows, which includes all of the items included in exploration and capital expenditures, except for geological and geophysical costs for the three months ended March 31, 2015 of \$1.4 million (2014 - \$2.2 million), which are expensed as incurred. 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. The Principal Properties Capital measure provides management and investors with information regarding the Company's Principal Properties spending on drilling 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. 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., 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. Cash Proceeds From Divestitures represents cash proceeds received by the Company on dispositions of oil and gas properties and excludes any non-cash consideration received. This measure is equivalent to Proceeds on Sale of Property, Plant and Equipment in the Company's Consolidated Statement of Cashflows.

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. During the first quarter of 2015, the value ratio between condensate and oil and natural gas was approximately 16:1. 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 and natural gas liquids ("NGLs") volumes. NGLs consist of condensate and Other NGLs. The term "Other NGLs" means ethane, propane and butane.

Behind-pipe wells includes new wells that have been rig-released but have not been placed on production, including wells that have not been completed, wells that have been completed but not yet tied-in and wells that have been completed and tied-in.

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