Paramount Resources Ltd.

Paramount Resources Ltd. Announces Second Quarter 2014 Results and Imminent First Sales from the Musreau Deep Cut Facility

CALGARY, ALBERTA - Aug. 6, 2014 /CNW/ - Paramount Resources Ltd. (TSX:POU)

SECOND QUARTER OVERVIEW

Oil and Gas Operations

- Second quarter sales volumes exceeded guidance, averaging 20,585 Boe/d. Shorter than expected facility downtime in the Kaybob COU enabled new condensate-rich Montney wells to be brought on in place of leaner wells.
- First sales gas from the Musreau Deep Cut Facility is imminent. The facility is pressurized with natural gas, all of the systems have been successfully operated, and the Company expects to begin cooling the facility to operating temperatures imminently, with first sales to immediately follow.
- Paramount's sales volumes are expected to more than double to approximately 50,000 Boe/d later in 2014 and increase to approximately 70,000 Boe/d in 2015.
- The Company is expanding its Montney drilling program in the Kaybob area and has sanctioned the construction of two new 100 MMcf/d refrigeration plants to provide incremental processing capacity. The first new plant is scheduled to be on-stream in the second half of 2016 and the second new plant approximately six months later.
- Paramount's walking drilling rigs have finished drilling one 10-well Montney pad and the second 10-well pad will be finished in early-August.
- The Company has drilled and completed its first horizontal Duvernay well in the Willesden Green area of Alberta. The Company has also entered into a joint venture agreement that will increase its Willesden Green Duvernay land position to 86 (43 net) sections.
- In June 2014, Paramount received approximately $91.5 million cash from the sale of a 50 percent interest in its Birch property.

Strategic Investments

- Cavalier Energy received regulatory approval for the initial 10,000 Bbl/d phase of its Hoole Grand Rapids development and has expanded its land base, acquiring approximately 23 net sections of undeveloped land at Hoole, contiguous with its Hoole lands, for $20 million.
- Fox Drilling has commenced the construction of two new walking rigs to support the Company's expanded drilling program.
- In June, Paramount completed the acquisition of all of the outstanding common shares of MGM Energy Corp. that it did not already own in exchange for 1.1 million Common Shares of Paramount.

Corporate

- Based on the results of Paramount's Deep Basin development programs, the Company's bank credit facility (the "Facility") was increased from $600 million to $700 million following a scheduled mid-year review. As of July 31, 2014, $78.7 million was drawn on the Facility.
- The Company raised gross proceeds of $350.4 million through the issuance of 5.6 million Common Shares in July 2014.

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

	Three months ended June 30			**Six months ended June 30**		
	2014	**2013**	**% Change**	**2014**	**2013[2]**	**% Change**
FINANCIAL						
Petroleum and natural gas sales	**80.0**	59.4	35	**166.2**	120.8	38
Funds flow from operations	**29.5**	22.3	32	**63.0**	38.8	62
Per share - diluted ($/share)	***0.30***	*0.24*		***0.64***	*0.42*	
Net income (loss)	**53.1**	(22.1)	340	**44.2**	(21.8)	303
Per share - diluted ($/share)	***0.53***	*(0.24)*		***0.45***	*(0.24)*	

Exploration and development expenditures	**202.6**	94.0	116	**375.6**	239.2	57
Investments in other entities - market value [3]				**757.4**	759.1	-
Total assets				**2,870.0**	2,084.4	38
Net debt				**1,356.2**	803.3	69
Common shares outstanding (thousands)				**99,047**	95,375	4
OPERATING						
Sales volumes						
Natural gas (MMcf/d)	**99.4**	107.6	(8)	**102.0**	110.6	(8)
NGLs (Bbl/d)	**3,292**	2,126	55	**3,186**	2,392	33
Oil (Bbl/d)	**730**	722	1	**615**	859	(28)
Total (Boe/d)	**20,585**	20,790	(1)	**20,805**	21,685	(4)
Average realized price						
Natural gas ($/Mcf)	**4.96**	3.97	25	**5.51**	3.71	49
NGLs ($/Bbl)	**91.22**	71.84	27	**89.18**	72.90	22
Oil ($/Bbl)	**105.27**	85.98	22	**101.76**	85.05	20
Total ($/Boe)	**42.72**	31.41	36	**44.15**	30.76	44
Operating expense ($/Boe)	**8.82**	8.46	4	**9.29**	9.35	(1)
Netback ($/Boe)	**28.71**	19.99	44	**29.06**	17.55	66
Net wells drilled (excl. oil sands evaluation)	**22**	6	267	**34**	15	127
Net oil sands evaluation wells	**-**	**-**	-	**-**	6	(100)

(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) Amounts include the results of discontinued operations. Refer to Management's Discussion and Analysis for the three and six months ended June 30, 2014.

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

OUTLOOK

Paramount's 2014 capital budget for exploration and development and strategic investments, excluding land acquisitions and capitalized interest, was increased in June 2014 by $150 million to $800 million. The increased capital budget includes incremental spending of approximately $70 million for the two new refrigeration plants, $50 million for Willesden Green Duvernay activities and $20 million to commence construction of the two new walking drilling rigs.

Following first sales from the Musreau Deep Cut Facility, sales volumes will increase as the Company ramps-up production from its inventory of behind-pipe wells, additional components of the Company's Kaybob area infrastructure are completed and incremental third-party de-ethanization capacity becomes available. Sales volumes are expected to reach approximately 50,000 Boe/d later in 2014 and increase to approximately 70,000 Boe/d in 2015, depending upon the availability of downstream third-party de-ethanization capacity.

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 second quarter 2014 report, including Management's Discussion and Analysis and the Company's unaudited Interim Condensed Consolidated Financial Statements can be obtained at: download/2014+Aug+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 and growth and the timing thereof;
- forecast capital expenditures;
- exploration, development, and associated operational plans and strategies and the anticipated timing of such activities;
- projected timelines for, and the anticipated costs of, constructing, commissioning and/or starting-up new and expanded natural gas processing and associated facilities;
- projected timelines for, and the anticipated costs of, constructing new walking drilling rigs;
- the projected availability of third party processing, transportation, fractionation, de-ethanization and other 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, de-ethanization 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 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 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, de-ethanization 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);
- 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 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 Energy Corp., MEG Energy Corp., 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" 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 first half of 2014, the value ratio between crude oil and natural gas was approximately 18:1. 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.

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