



NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

An annual general meeting (the "Meeting") of the shareholders of Paramount Resources Ltd. (the "Corporation") will be held at the Hudson, 6th Floor, 200 – 8th Avenue S.W., Calgary, Alberta, on Wednesday, May 8, 2019, at 10:30 a.m. (Calgary time). The purpose of the Meeting is to:

1. receive the audited consolidated financial statements of the Corporation for the fiscal year ended December 31, 2018 and the independent auditors' report thereon;
2. elect the directors of the Corporation;
3. appoint the auditors of the Corporation; and
4. transact any other business as may properly come before the Meeting and any adjournment(s) of the Meeting.

By order of the Board of Directors

(*signed*) "E. Mitchell Shier"
Corporate Secretary

Calgary, Alberta, Canada
March 21, 2019

TABLE OF CONTENTS

GENERAL INFORMATION	3
Annual Meeting Date	3
Date of Information	3
Voting Shares and Principal Holders	3
Meeting Materials – Use of Notice and Access	3
Additional Information	4
Contact Information	4
VOTING INFORMATION	4
General Voting Information	4
Registered Shareholder Voting	5
Beneficial Shareholder Voting	6
BUSINESS OF THE MEETING	7
Financial Statements	7
Election of Directors	7
Appointment of Auditors	7
Other Matters to Be Acted Upon	7
NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS	8
Independence of Director Nominees	13
Competency Matrix for Director Nominees	13
Board Interlocks	13
COMPENSATION DISCUSSION AND ANALYSIS	14
Introduction	14
2018 Corporate Performance and Market Conditions	15
2018 Compensation Determinations	16
Compensation Mix	18
Peer Group	19
Total Return Performance Graph	20
Reported vs. Realizable Compensation	21
Compensation Governance	21
Risk Oversight in Relation to Compensation Policies and Practices	23
Anti-Hedging Policy	23
EXECUTIVE COMPENSATION	24
Summary Compensation Table	24
Outstanding Options and RSUs	25
Incentive Plan Awards – Value Vested or Earned During the Year	26
Termination and Change of Control Benefits	26
DIRECTOR COMPENSATION	27
Director Compensation Table	27
Narrative Discussion of Director Compensation	27
Outstanding Options Held by Directors	28
Incentive Plan Awards – Value Vested or Earned During the Year	29
Share Ownership and Hold Period Requirements	29
INCENTIVE PLANS	29
Cash Bonus and Restricted Share Unit Plan (CBRSUP)	29
Option Plan	31
Equity Compensation Plan Information	33
INDEBTEDNESS OF DIRECTORS AND OFFICERS	33
CORPORATE GOVERNANCE	33
Statement of Corporate Governance Practices	34
SCHEDULE “A” – BOARD OF DIRECTORS MANDATE	41

MANAGEMENT INFORMATION CIRCULAR

GENERAL INFORMATION

Annual Meeting Date

Paramount Resources Ltd. (the "**Corporation**" or "**Paramount**") will be holding an annual general meeting (the "**Meeting**") of holders ("**Shareholders**") of its Class A Common Shares ("**Common Shares**") on Wednesday, May 8, 2019 at 10:30 a.m. (Calgary time) at the Hudson, 6th Floor, 200 – 8th Avenue S.W., Calgary, Alberta.

Date of Information

Information in this management information circular ("**Information Circular**") is given as of March 21, 2019 unless otherwise noted.

Voting Shares and Principal Holders

On March 21, 2019, Paramount had 130,903,738 issued and outstanding Common Shares. The Common Shares trade under the symbol "POU" on the Toronto Stock Exchange ("**TSX**").

To the knowledge of Paramount's directors and executive officers, the only persons that beneficially owned or controlled or directed 10% or more of the outstanding Common Shares as at March 21, 2019 were: (i) Mr. James H.T. Riddell, Paramount's President and Chief Executive Officer and Chairman of the Board of Directors, who beneficially owned or controlled or directed, directly or indirectly, 30,127,511 Common Shares, representing approximately 23.0% of the outstanding Common Shares as of such date; (ii) Ms. Susan Riddell Rose, a director of Paramount, who beneficially owned or controlled or directed, directly or indirectly, 14,497,811 Common Shares, representing approximately 11.1% of the outstanding Common Shares as of such date; and (iii) Ms. Brenda Riddell, who beneficially owned or controlled or directed, directly or indirectly, 14,359,843 Common Shares, representing approximately 11.0% of the outstanding Common Shares as of such date.

Meeting Materials – Use of Notice and Access

Paramount has elected to use the notice-and-access provisions under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (the "**Notice-and-Access Provisions**") for the Meeting in respect of mailings to beneficial Shareholders, but not in respect of mailings to registered Shareholders (i.e. a Shareholder whose name appears on the register of Shareholders). The Notice-and-Access Provisions are a set of rules developed by the Canadian Securities Administrators that are intended to reduce the volume of materials which are mailed to shareholders by allowing a reporting issuer to post online an information circular and related materials in respect of a meeting of its shareholders.

While registered Shareholders will receive a paper copy of the notice of meeting, this Information Circular and a form of proxy, beneficial Shareholders will receive a notice containing information prescribed by the Notice-and-Access Provisions and a voting instruction form. In addition, a paper copy of the notice of meeting, this Information Circular, and a voting direction will be mailed to those Shareholders who do not hold their Common Shares in their own name, but who have previously requested to receive paper copies of these materials. Furthermore, Paramount's financial statements in respect of its most recently completed financial year will be mailed to registered Shareholders and those beneficial Shareholders who previously requested to receive such information.

Additional Information

Additional information concerning Paramount, including Paramount's consolidated comparative interim and annual financial statements and management's discussion and analysis thereon, as well as Paramount's 2018 annual information form, is available through the internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which may be accessed at www.sedar.com. This information may also be accessed on the Corporation's website at www.paramountres.com. Financial information in respect of Paramount's most recently completed financial year is contained in Paramount's comparative annual financial statements and management's discussion and analysis thereon.

Upon request by a securityholder to Paramount's Corporate Secretary at the address set out below, Paramount will provide to such securityholder, without charge, copies of Paramount's 2018 annual information form, Paramount's 2018 annual report (containing the consolidated comparative financial statements for fiscal 2018 together with the independent auditors' report and management's discussion and analysis thereon), interim financial statements for subsequent periods and this Information Circular.

Contact Information

Head Office: 2800, 421 – 7th Avenue SW
Calgary, Alberta, Canada
T2P 4K9
Attention: Corporate Secretary
Telephone: 403-290-3600
Website: www.paramountres.com

VOTING INFORMATION

General Voting Information

Proxy Solicitation

Proxies are being solicited by management of Paramount to be used at the Meeting, or any adjournment(s) of the Meeting. Solicitations will be primarily by mail but may also be by newspaper publication, in person or by telephone, electronic transmission or communication by directors, officers, employees or agents of Paramount. All costs of the solicitation will be paid by Paramount.

Voting

If you are a registered holder of Common Shares at the close of business on March 21, 2019 (the "**Record Date**"), you are entitled to receive notice of, and to attend and vote at the Meeting. You will be entitled to vote all of the Common Shares that you held on the Record Date at the Meeting except to the extent that:

- a. you have transferred ownership of any such Common Shares after the Record Date; and
- b. not later than ten days before the Meeting, the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes that they own such Common Shares and demands that their name be included on the list of Shareholders entitled to vote at the Meeting, in which case the transferee will be entitled to vote those Common Shares at the Meeting.

When Common Shares are held jointly by two or more persons, those shares may be voted at the Meeting (either in person or by proxy) by any one of those holders, or, alternatively, by all such holders jointly. Each Common Share is entitled to one vote. A simple majority of votes cast (50% plus one vote) is required to approve all of the known matters to come before the Meeting.

Quorum

A quorum for the transaction of business is two individuals present in person, each being a Shareholder or proxyholder entitled to vote at the Meeting, who together represent at least 25% of the votes entitled to be cast at the Meeting.

Proxy Voting

You can indicate on your proxy how you want your proxyholder to vote your Common Shares or you can let your proxyholder decide for you. If you specify how you want your Common Shares voted, then your proxyholder must vote in accordance with your instructions. In the absence of specific instructions, your proxyholder can vote your Common Shares as he or she sees fit. **If you appoint Mr. James H.T. Riddell of Calgary, Alberta, or failing him, Mr. Bernard K. Lee also of Calgary, Alberta, and do not specify how you want your Common Shares to be voted, your Common Shares will be voted as follows:**

Election of each management nominee as a director	FOR
Appointment of auditors	FOR

Amendments or Other Matters

At the time of printing this Information Circular, Paramount's management does not know of any matter that may come before the Meeting other than the matters referred to above or of any potential amendment to, or variation of, these matters. If any other matters or any amendments to, or variations of, the above matters do properly come before the Meeting, your proxyholder will vote on them using his or her best judgment.

Registered Shareholder Voting

If your Common Shares are held in your name and you have a share certificate, then you are a registered Shareholder. You may vote in person at the Meeting, by proxy, by telephone, or by internet. For further instructions, see the enclosed form of proxy.

Voting in Person

If you plan to attend the Meeting and vote your Common Shares in person, do not complete the enclosed proxy form. When you arrive at the Meeting, register with Paramount's transfer agent, Computershare Trust Company of Canada, and your vote at the Meeting will be counted.

Voting by Proxy

You may also vote your Common Shares by proxy. If you choose to vote by proxy, you may use the enclosed proxy or complete another proper instrument of proxy. The persons named in the enclosed proxy are senior officers of Paramount. **You may appoint some other person to be your proxyholder at the Meeting by inserting that person's name in the blank space provided in the enclosed form of proxy or by completing another proper instrument of proxy.** In either case, you must deliver the completed and executed proxy to either:

- a. the registered office of the Corporation at Suite 2800, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9, Attention: Corporate Secretary; or
- b. the Corporation's transfer agent, Computershare Trust Company of Canada, Ninth Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, Attention: Proxy Department;

no later than 10:30 a.m. (Calgary time) on May 6, 2019 or, if the Meeting is adjourned, at least 48 hours (excluding weekends and holidays) before the time set for the Meeting to resume. **The time limit for deposit of proxies may be waived or extended by the Chairman of the Meeting at his or her discretion without notice.** If you have voted by proxy, you may not vote in person at the Meeting unless you revoke your proxy.

Revoking your Proxy

You may revoke your proxy any time before it is acted upon by:

- a. signing a new proxy bearing a later date and delivering it to Paramount's registered office or to Paramount's transfer agent, Computershare Trust Company of Canada, at either of the above addresses at least 48 hours (excluding weekends and holidays) prior to the commencement of the Meeting or any adjournment of the Meeting; or
- b. depositing written notice of revocation at Paramount's registered office or to Paramount's transfer agent, Computershare Trust Company of Canada, at either of the above addresses at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, or delivering it to the Chairman of the Meeting at the Meeting; or
- c. attending and voting at the Meeting.

Beneficial Shareholder Voting

If your Common Shares are held in the name of a nominee (i.e. deposited with a securities broker, bank or other institution) then you are a beneficial Shareholder. You may vote in person at the Meeting as proxy for the registered holder of your Common Shares or provide voting instructions to the registered holder of your Common Shares via mail, telephone or internet. For further instructions, see the voting instruction or proxy form provided to you.

Voting in Person

If you plan to attend the Meeting and vote your Common Shares in person as proxyholder for the registered holder of your Common Shares, insert your name on the voting instruction or proxy form provided to you and follow the applicable instructions on that form. When you arrive at the Meeting, register with Paramount's transfer agent, Computershare Trust Company of Canada, and your vote at the Meeting will be counted, provided the proxy is in good order.

Voting Instructions

Applicable regulatory policies require registered shareholders who hold their shares as nominees to seek (or have an intermediary seek on their behalf) voting instructions from their respective beneficial shareholders in advance of shareholders' meetings. Every nominee and intermediary has its own mailing procedures and provides its own voting and return instructions. The voting and return instructions for your applicable nominee or intermediary are set out in the voting instruction or proxy form that they have provided to you. You must carefully follow the instructions on this form in order to ensure your Common Shares are voted at the Meeting. The vast majority of nominees now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). If your nominee has appointed Broadridge, you should have received a scannable voting instruction form from Broadridge, and you will need to either complete and return this form to Broadridge by mail, or alternatively, convey your voting instructions to them via the internet or by calling a toll-free telephone number as set out in the form. Broadridge will tabulate the results of all instructions that it receives and provide appropriate voting instructions to Computershare Trust Company of Canada for use at the Meeting. **A beneficial Shareholder must comply with the instructions on the voting instruction or proxy form provided to it well in advance of the Meeting in order to ensure their Common Shares can be voted at the Meeting.**

BUSINESS OF THE MEETING

Financial Statements

Paramount's consolidated financial statements as at and for the year ended December 31, 2018 and the auditors' report thereon are in the 2018 annual report mailed to registered Shareholders and will be placed before Shareholders at the Meeting.

Election of Directors

Paramount's articles provide that the Board of Directors (the "**Board**") shall consist of a minimum of three and a maximum of twelve directors. By resolution on March 6, 2019, the Board fixed the number of directors to be elected at the Meeting at nine, each of whom will serve until the next annual meeting of Shareholders or until their respective successors are elected or appointed. The nine nominees are:

- James Riddell
- James Bell
- Wilfred Gobert
- John Gorman
- Dirk Jungé
- Robert MacDonald
- Keith MacLeod
- Susan Riddell Rose
- John Roy

All director nominees have consented to being named in this Information Circular and to serve as directors if elected. Paramount's management does not contemplate that any of the director nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, your proxyholder has the right to use his or her discretion in voting for another nominee unless you have specified in your voting instruction or proxy form that he or she does not have such authority. The Corporation's articles permit the Board, between annual meetings of Shareholders, to appoint one or more additional directors (up to a maximum of one-third of the number of directors who held office at the expiration of the last annual meeting of Shareholders).

Your proxyholder will vote FOR the election of each of these nominees as a director of Paramount unless you indicate in your voting instruction or proxy form that authority to do so is withheld in respect of one or more of the nominees.

Appointment of Auditors

Unless you indicate in the enclosed voting instruction or proxy form that authority to vote for the re-appointment of the Corporation's current auditors is withheld, your proxyholder will vote FOR the re-appointment of Ernst & Young LLP, Chartered Professional Accountants, Calgary City Centre, 2200, 215 – 2nd Street S.W., Calgary, Alberta T2P 1M4, as auditors of the Corporation to hold office until the next annual meeting of Shareholders. Ernst & Young LLP have been Paramount's auditors since its inception in 1978.

The information regarding Paramount's audit committee as required by section 5.1 of National Instrument 52-110 is set forth in Paramount's 2018 annual information form under the heading "Audit Committee Information" and in Appendix C thereto.

Other Matters to Be Acted Upon

Management knows of no matters to come before the Meeting other than the matters referred to in the enclosed Notice of Annual General Meeting of Shareholders to which this Information Circular is attached. If any matters which are not known at the time of the Information Circular should properly come before the Meeting, proxies will be voted on such matters in accordance with the best judgment of the person holding such proxy.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

The following table provides information with respect to the nine director nominees.

Shareholders are entitled to vote for or withhold their vote for each nominee on an individual basis. The Board has adopted a majority voting policy which provides that if a director receives more "withhold" votes than "for" votes in an uncontested election of directors that director must immediately tender his or her resignation, and the remaining Board members must determine whether or not to accept such resignation within 90 days (and will be required to accept the resignation absent exceptional circumstances).

Any Shareholder who wishes to nominate one or more other directors can do so by submitting to Paramount's Corporate Secretary the information required by Paramount's bylaws, including the nominees' names, backgrounds, qualifications and experience. Paramount's bylaws require that a Shareholder give the Corporation advance notice of any proposal to nominate directors for election to the Board when nominations are not made through the procedures set out in the *Business Corporations Act* (Alberta). If the nomination is to be presented at an annual meeting of Shareholders, the notice must be given 30 to 65 days in advance of the meeting; provided that if the annual meeting is to be held less than 50 days after Paramount announces the meeting date, the notice must, in those circumstances, be given within 10 days of the meeting announcement. If the nomination is to be presented at a special meeting of Shareholders (that is not also an annual meeting) where one of the items of business is the election of directors, then the notice must be given within 15 days of the meeting announcement. All nominations received will be forwarded to the Chair of the Corporate Governance Committee who will present them to the committee for consideration.

James Riddell⁽⁴⁾

Calgary, Alberta, Canada
President and Chief Executive
Officer and Chairman
Paramount Resources Ltd.
Non-Independent Director
Director Since: 2000
Age: 52

Mr. Riddell has been the President and Chief Executive Officer of Paramount since May 2015 and Chairman of the Board since November 2018. Mr. Riddell previously served as President and Chief Operating Officer since June 2002. He has been a director since 2000. From May 1991 until June 2002, he held various positions at Paramount. Mr. Riddell was a director and the CEO of Trilogy Energy Corp. prior to its merger with Paramount Resources Ltd. in September 2017. Mr. Riddell is also a director of Strategic Oil & Gas Ltd. (a public oil and gas exploration and production company) and Big Rock Brewery Inc. (a public company which produces and markets beer).

Mr. Riddell graduated from Arizona State University with a Bachelor of Science degree in Geology and from the University of Alberta with a Master of Science degree in Geology. He is currently a member of the Canadian Society of Petroleum Geologists and the American Association of Petroleum Geologists.

2018 AGM Voting Results:	Votes For	109,217,048 (99.62%)
	Votes Withheld	421,115 (0.38%)

Paramount Board / Committee Participation	2018 Meeting Attendance
Board of Directors	3/3 (100%)
Environmental, Health and Safety Committee	2/2 (100%)

Paramount Holdings	Other Public Board Directorships**
Common Shares ⁽¹⁾ : 30,127,511 - \$240,718,813	Big Rock Brewery Inc.
Options: 981,119	Strategic Oil & Gas Ltd.

Minimum Share Ownership⁽²⁾: Attained

Cavalier Energy Inc. Holdings*

Options: 500,000

* Cavalier Energy Inc. is a private wholly-owned subsidiary of the Corporation

** Paramount sold assets to Strategic Oil & Gas Ltd. in exchange for shares and, as a result, also holds a significant equity interest.

James Bell

Calgary, Alberta, Canada
President and Chief Executive
Officer
Founders Advantage Capital
Corp.
Independent Director⁽³⁾
Director Since: 2011
Age: 44

Mr. Bell has been a director of Paramount since November 2011. Mr. Bell is currently President and Chief Executive Officer of Founders Advantage Capital Corp. (a TSX Venture Exchange listed company). Prior thereto, Mr. Bell was General Counsel for Olympia Financial Group Inc. (a TSX listed company) and its wholly-owned subsidiary Olympia Trust Company (a non-deposit taking trust company), and had practiced securities and corporate commercial law as a partner at an international law firm until December 31, 2009.

Mr. Bell graduated from the University of Saskatchewan with a Bachelor of Laws degree in 1999. He completed the Canadian Securities Course in January 2014 and the Partners, Directors and Senior Officers course in February 2014.

2018 AGM Voting Results:	Votes For	107,287,455 (97.86%)
	Votes Withheld	2,350,708 (2.14%)

Paramount Board / Committee Participation

Board of Directors

Audit Committee

Compensation Committee (Chair)

Corporate Governance Committee

2018 Meeting Attendance

3/3 (100%)

4/4 (100%)

2/2 (100%)

2/2 (100%)

Paramount Holdings

Common Shares⁽¹⁾: 10,525 - \$84,095

Options: 60,000

Minimum Share Ownership⁽²⁾: Attained

Other Public Board Directorships

Founders Advantage Capital Corp.

Wilfred Gobert

Calgary, Alberta, Canada
Independent Businessman
Independent Director⁽³⁾
Director Since: 2017
Age: 70

Mr. Gobert has been a director of Paramount since 2017. Mr. Gobert is an independent businessman. Until his retirement in 2006, he was Vice-Chair of Peters & Co. Limited (an investment firm specializing in the Canadian oil and gas industry), a position he held since 2002, and was a member of its board of directors and its executive committee. Prior thereto, he joined Peters & Co. Limited in 1979 as Managing Director, Research. Throughout his career at the firm, his responsibilities included research analysis of integrated oil companies and oil and gas producers.

Mr. Gobert serves on the board of directors of Canadian Natural Resources Limited (a public oil and gas exploration and production company) and Gluskin Sheff + Associates Ltd. (a Canadian independent wealth management firm). He is Senior Fellow, Energy Studies, Centre for Energy Policy Studies with The Fraser Institute.

Mr. Gobert holds a Master of Business Administration (Finance) from McMaster University (1976), a Bachelor of Science degree (Mathematics) from the University of Windsor, Ontario (1971) and a Chartered Financial Analyst ("CFA") designation.

2018 AGM Voting Results:	Votes For	109,299,164 (99.69%)
	Votes Withheld	338,999 (0.31%)

Paramount Board / Committee Participation

Board of Directors

Compensation Committee

Corporate Governance Committee

Reserves Committee

2018 Meeting Attendance

3/3 (100%)

2/2 (100%)

2/2 (100%)

3/3 (100%)

Paramount Holdings

Common Shares⁽¹⁾: 21,038 - \$168,094

Options: 43,200

Minimum Share Ownership⁽²⁾: Attained

Other Public Board Directorships

Canadian Natural Resources Limited

Gluskin Sheff + Associates Ltd.

John Gorman

Calgary, Alberta, Canada
Independent Businessman
Independent and Lead Director⁽³⁾
Director Since: 2002
Age: 73

Mr. Gorman has been a director of Paramount since 2002 and is currently the Lead Director. He was the President and CEO of an energy trading, marketing and financial services company from 1996 to 2000 and a corporate banker with the Bank of Montreal (a Canadian chartered bank) from 1972 to 1996, retiring as Senior Vice President, Natural Resources Group.

Mr. Gorman obtained a Bachelor of Arts degree from the University of Ottawa and a Master of Business Administration degree from the University of Western Ontario.

2018 AGM Voting Results:	Votes For	107,917,376 (98.43%)
	Votes Withheld	1,720,787 (1.57%)

Paramount Board / Committee Participation	2018 Meeting Attendance
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Board of Directors	3/3 (100%)
Audit Committee (Chair)	4/4 (100%)
Corporate Governance Committee	2/2 (100%)
Reserves Committee	3/3 (100%)

Paramount Holdings

Common Shares⁽¹⁾: 12,336 - \$98,565
Options: 60,000
Minimum Share Ownership⁽²⁾: Attained

Other Public Board Directorships

None

Dirk Jungé

Bryn Athyn, Pennsylvania, U.S.A.
Chairman
Pitcairn Trust Company
Independent Director⁽³⁾
Director Since: 2000
Age: 70

Mr. Jungé has been a director of Paramount since 2000. He has been the Chairman of the Board of the Pitcairn Trust Company (a private trust company) since 1991 and its CEO from 1993 to 1996 and from 2006 to 2012. He served as President of Pitcairn Trust Company from 2006 to 2008. Mr. Jungé also holds a number of director and trustee positions with philanthropic organizations.

Mr. Jungé obtained a Bachelor of Science degree in Economics and Finance from Lehigh University, was designated a Chartered Financial Analyst by the Institute of Chartered Financial Analysts in 1978 and is a member of the Financial Planning Association, the Association for Investment Management and Research, and the National Association of Corporate Directors.

2018 AGM Voting Results:	Votes For	108,808,859 (99.24%)
	Votes Withheld	829,304 (0.76%)

Paramount Board / Committee Participation	2018 Meeting Attendance
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Board of Directors	3/3 (100%)
Corporate Governance Committee	2/2 (100%)
Environmental Health & Safety Committee (Chair)	2/2 (100%)

Paramount Holdings

Common Shares⁽¹⁾: 13,949 - \$111,453
Options: 45,000
Minimum Share Ownership⁽²⁾: Attained

Other Public Board Directorships

L.B. Foster Co.

Robert MacDonald

Oakville, Ontario, Canada
Independent Businessman
Independent Director⁽³⁾
Director Since: 2017
Age: 73

Mr. MacDonald has been a director of Paramount since 2017. He is an oil and gas banking professional with 15 years of experience as a corporate director and 27 years of experience as a senior officer of several Canadian chartered banks, including 18 years in Alberta and nine years in the United States. He has expertise in oil and gas banking/financing, having handled and provided advisory services on strategic alternatives for senior and bridge debt structuring, project financing, mezzanine debt structuring, portfolio management, credit risk management, financial analysis and loan re-structuring. From 1998 to 2003, he was Director, Oil & Gas, and Commercial Banking with CIBC World Markets Inc. (a global investment banking firm). From 1993 to 1998, Mr. MacDonald was Vice President, Oil & Gas Group with CIBC.

Mr. MacDonald graduated from the University of Saskatchewan (Regina Campus) with a Bachelor of Business Administration degree (major in Economics and Finance and minor in Accounting). He is a Fellow of the Institute of Canadian Bankers and has completed the academic requirements for the Director Education Program of the Institute of Corporate Directors.

2018 AGM Voting Results:	Votes For	109,309,812 (99.70%)
	Votes Withheld	328,351 (0.30%)

Paramount Board / Committee Participation	2018 Meeting Attendance
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Board of Directors	3/3 (100%)
Audit Committee	4/4 (100%)
Corporate Governance Committee	2/2 (100%)

Paramount Holdings

Common Shares⁽¹⁾: 12,498 - \$99,859

Options: 43,200

Minimum Share Ownership⁽²⁾: Attained

Other Public Board Directorships

None

Keith MacLeod⁽⁵⁾

Calgary, Alberta, Canada
Independent Businessman
Independent Director⁽³⁾
Director Since: 2017
Age: 60

Mr. MacLeod has been a director of Paramount since 2017. He is a professional engineer with more than 30 years of experience in the oil and gas industry in Alberta. Until June 2014, he was a director, partner and CEO of Sproule (a worldwide petroleum consulting firm), which he first joined in 1979. Mr. MacLeod has expertise in the areas of reservoir engineering, property and corporate reserves/resource evaluations, acquisitions and divestitures, NI 51-101 and SEC oil and gas disclosure regulations, arbitration, litigation, and investment advice. He has lectured at the University of Calgary and to the petroleum industry.

Mr. MacLeod received a B.S. (Honours) in Mining Engineering in 1984 from the Montana College of Mineral Science and Technology (Butte, Montana) and had previously received a diploma in Technology in Mineral Science in 1978 from the College of Cape Breton (Sydney, Nova Scotia). He has completed the Director Education Program of the Institute of Corporate Directors. Mr. MacLeod is a member of the Association of Professional Engineers and Geoscientists of Alberta, the Society of Petroleum Evaluation Engineers and the Society of Petroleum Engineers and has participated in numerous committees of those organizations. Mr. MacLeod is Chair of the Canada–Nova Scotia Offshore Petroleum Board, the independent joint agency of the Governments of Canada and Nova Scotia responsible for the regulation of petroleum activities in the Nova Scotia Offshore Area. He is also Chair of the Advisory Board of Vershuren Centre for Sustainability in Energy and the Environment, a Canadian research centre at Cape Breton University in Sydney, Nova Scotia.

2018 AGM Voting Results:	Votes For	109,313,516 (99.70%)
	Votes Withheld	324,647 (0.30%)

Paramount Board / Committee Participation	2018 Meeting Attendance
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Board of Directors	3/3 (100%)
Corporate Governance Committee	2/2 (100%)
Environmental, Health and Safety Committee	2/2 (100%)
Reserves Committee (Chair)	3/3 (100%)

Paramount Holdings

Common Shares⁽¹⁾: 9,200 - \$73,508

Options: 43,200

Minimum Share Ownership⁽²⁾: Attained

Other Public Board Directorships

None

Susan Riddell Rose

Calgary, Alberta, Canada
President and CEO
Perpetual Energy Inc.
Non-independent Director
Director Since: 2000
Age: 54

Ms. Riddell Rose has been a director of Paramount since 2000. Since 2002 she has been a director and President and since 2005 the CEO of Perpetual Energy Inc. (a public oil and gas exploration and development company) and its predecessor, Paramount Energy Trust. Prior thereto, Ms. Riddell Rose was a geological engineer and Corporate Operating Officer of Paramount and prior to that, a geological engineer with Shell Canada Limited. Ms. Riddell Rose is also a director of Tervita Corporation (a public industrial waste management and environmental services company) and a member of the Board of Directors of Altalink LP, a reporting issuer whose shares are not publicly traded.

Ms. Riddell Rose graduated from Queen's University with a Bachelor of Science degree in Geological Engineering. Ms. Riddell Rose is a member of the Association of Professional Engineers and Geoscientists of Alberta, the Canadian Society of Petroleum Geologists, and the American Association of Petroleum Geologists, and a governor of the Canadian Association of Petroleum Producers.

2018 AGM Voting Results:	Votes For	107,544,156 (98.09%)
	Votes Withheld	2,094,007 (1.91%)

Paramount Board / Committee Participation	2018 Meeting Attendance
Board of Directors	3/3 (100%)

Paramount Holdings	Other Public Board Directorships
Common Shares ⁽¹⁾ : 14,497,811 - \$115,837,510	Perpetual Energy Inc.
Options: 60,000	Tervita Corporation
Minimum Share Ownership ⁽²⁾ : Attained	

John Roy

Calgary, Alberta, Canada
Independent Businessman
Independent Director⁽³⁾
Director Since: 1981
Age: 78

Mr. Roy has been a director of Paramount since 1981. He is an independent businessman. Prior to December 1, 2003, he served as the Vice-President and Director of a private investment banking firm. From 1970 to 1996, he held various positions also at a private investment banking firm.

Mr. Roy graduated from Queen's University with a Bachelor of Science degree in Mechanical Engineering and received a Diploma in Management from McGill University. He is a member of the Association of Professional Engineers and Geoscientists of Alberta. Mr. Roy has his P.Eng. designation and is also a fellow of the Canadian Securities Institute.

2018 AGM Voting Results:	Votes For	106,801,831 (97.41%)
	Votes Withheld	2,836,332 (2.59%)

Paramount Board / Committee Participation	2018 Meeting Attendance
Board of Directors	3/3 (100%)
Audit Committee	4/4 (100%)
Corporate Governance Committee (Chair)	2/2 (100%)
Compensation Committee	2/2 (100%)

Paramount Holdings	Other Public Board Directorships
Common Shares ⁽¹⁾ : 53,361 - \$426,354	None
Options: 60,000	
Minimum Share Ownership ⁽²⁾ : Attained	

Notes:

- (1) Represents all Common Shares beneficially owned or controlled or directed, directly or indirectly, by the proposed director, including Common Shares registered in the name of other entities. Value of Common Shares represents the number of common shares held multiplied by the closing price of the Common Shares on the TSX on March 21, 2019 of \$7.99.
- (2) The Corporation adopted a share ownership policy in March 2013 requiring each of its directors to acquire, within three years of: (i) the date they become a director; or (ii) the date of the share ownership policy (whichever is later), Common Shares having a value equal to at least three times their annual base retainer, and to continue to hold these Common Shares during their tenure. Once a director acquires the requisite number of Common Shares, the number of shares required to be held is not subject to readjustment by reason of increases or decreases in the market price of the shares.
- (3) Independence is based on the definitions contained in National Instrument 52-110, National Instrument 58-101 and National Policy 58-201. Each year and upon appointment all independent directors complete an independence questionnaire to assess, or re-assess, their status as independent directors.
- (4) Mr. James Riddell was a director of Sonde Resources Corp. ("Sonde") and Great Prairie Energy Services Inc. ("Great Prairie"), both public oil and gas companies, within one year of Sonde becoming bankrupt and Great Prairie having a receiver-manager appointed to manage its assets, undertakings and properties.
- (5) Mr. MacLeod was a director of Manito Energy Inc. ("Manito"), a public oil and gas company, within one year of Manito filing a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act* (Canada).

The information as to Common Shares owned directly or indirectly by each director nominee, not being within the knowledge of the Corporation, has been furnished by the nominees.

Independence of Director Nominees

Of the nine director nominees, seven are independent. All members of the Audit Committee, Corporate Governance Committee, Compensation Committee and Reserves Committee are independent.

Director Nominee	Independent	Non-Independent	Reason for Non-Independence
James Riddell		✓	President & CEO of the Corporation
James Bell	✓		
Wilfred Gobert	✓		
John Gorman	✓		
Dirk Jungé	✓		
Robert MacDonald	✓		
Keith MacLeod	✓		
Susan Riddell Rose		✓	Familial relationship with President & CEO of the Corporation
John Roy	✓		

Mr. John Gorman, an independent director, is the Board's Lead Director. His duties include, among other things, ensuring that differences between the responsibilities of the Board and management are understood by all, ensuring that independent directors have adequate opportunities to meet to discuss issues without management present, and acting as a liaison between the independent directors and management. The position description for the Lead Director is available on the Corporation's website at www.paramountres.com.

The Board has a policy requiring that an *in-camera* meeting of independent directors be held in connection with all Board and committee meetings.

Competency Matrix for Director Nominees

The Board, through the Corporate Governance Committee, has developed a competency matrix to ensure that the members of the Board, through their knowledge, business expertise and experience, meet the needs of the Board. The following table sets out some of the relevant knowledge, expertise and experience of the director nominees:

	James Riddell	James Bell	Wilfred Gobert	John Gorman	Dirk Jungé	Robert MacDonald	Keith MacLeod	Susan Riddell Rose	John Roy
Board Experience	✓	✓	✓	✓	✓	✓	✓	✓	✓
CEO Experience	✓	✓		✓	✓		✓	✓	
Strategic Planning	✓	✓	✓	✓	✓	✓	✓	✓	✓
Operations	✓		✓		✓			✓	
Project Management	✓		✓	✓	✓	✓	✓	✓	✓
Governance	✓	✓	✓	✓	✓	✓	✓	✓	✓
Accounting/Finance	✓	✓	✓	✓	✓	✓	✓	✓	✓
Executive Compensation	✓	✓	✓	✓	✓	✓	✓	✓	✓
Government/Public Policy	✓	✓	✓				✓	✓	
Human Resources	✓	✓	✓	✓	✓	✓	✓	✓	✓
Legal		✓						✓	
Environment/Health/Safety	✓				✓	✓	✓	✓	✓

Board Interlocks

None of the director nominees: (i) serve together as directors of any company other than the Corporation or (ii) are employed by a company of which any director nominee or executive officer of the Corporation is a director.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

Compensation Philosophy

Paramount's compensation philosophy is to be competitive with other Canadian oil and gas companies of similar size in order to attract, retain and motivate a highly-qualified workforce and provide career opportunities within Paramount. The compensation program for Paramount's named executive officers ("**NEOs**") is built around base salaries and reward systems that recognize Paramount's financial and operational results and individual performance. This program is also designed to ensure that the interests of Paramount's executives are aligned with its Shareholders by making a majority of the compensation paid to the NEOs variable or at risk.

Elements of Compensation

There are three primary elements to Paramount's compensation program: base salary, awards under the Corporation's Cash Bonus and Restricted Share Unit Plan ("**CBRSUP**") and stock option grants ("**Options**") under the Corporation's Stock Option Plan ("**Option Plan**"). Each element of compensation is discussed in more detail below under "*2018 Compensation Determinations*". Detailed descriptions of the CBRSUP and the Option Plan are provided under the heading "*Incentive Plans*".

Key Features of Paramount's Compensation Program

The following list highlights some of the key features of Paramount's compensation program that are intended to ensure that the actions of Paramount's executives are aligned with the interests of its Shareholders. These features are described in more detail elsewhere in this "*Compensation Discussion and Analysis*" or in other sections of this Information Circular:

- Compensation is performance-based with an emphasis on longer-term incentive awards. Approximately 82% of the CEO's 2018 compensation was variable or at risk, with the variable or at risk portion of 2018 compensation of each of the other NEOs averaging approximately 51%.
- Options:
 - generally vest over five years, with the first vesting only occurring in the year following the grant date, and expire six months after the final vesting;
 - do not automatically vest upon a change of control; and
 - cannot be re-priced without first obtaining the approval of the Shareholders, which has never been sought.
- Paramount's CBRSUP has reasonable target levels, with the awards granted under the CBRSUP tied to performance goals (individual, departmental or corporate) and comprised of a cash component targeted to be 1/3 of the value of the award and a restricted share unit ("**RSU**") component targeted to be 2/3 of the value of the award, with the RSUs vesting over two years.
- Paramount does not award any large perquisites and does not have any pension plans or other post-retirement obligations.
- A policy is in place prohibiting the hedging of Paramount's securities by officers and directors.
- No loans can be made to Paramount's executives for any purpose, including the purchase of Paramount's securities.
- Paramount's compensation program is regularly reviewed by Paramount's Compensation Committee, which is comprised exclusively of independent directors, to ensure it is competitive and consistent with the executive compensation programs of Paramount's peer group and does not encourage excessive risk taking by the NEOs.
- The alignment of interests between Paramount's executives and its Shareholders is further strengthened by the fact that Paramount's CEO owns, controls or directs, directly or indirectly, approximately 23% of the Common Shares.

Compensation Process

The Compensation Committee of the Board determines the compensation of the CEO and, after considering the recommendations of the CEO, approves the compensation of the other NEOs. The Compensation Committee meets at least twice annually, with a meeting held in April of each year to consider CBRSUP awards and in December of each year to set salaries for the forthcoming year and consider Option grants.

In determining the overall compensation of the NEOs, the Compensation Committee considers a range of factors including general industry and market conditions, the Corporation's total shareholder return ("**TSR**"), the compensation practices and performance of its peer group and Paramount's corporate financial and operating results, including its progress in advancing its overall corporate strategy. The performance of each of the NEOs is also assessed. Specific factors that the Compensation Committee considered in determining 2018 compensation for the NEOs are set out below under "*2018 Compensation Determinations*".

Named Executive Officers

Under applicable securities laws, a company's NEOs are: (i) the Chief Executive Officer, (ii) the Chief Financial Officer, (iii) the next three most highly compensated executive officers serving at the end of the most recent financial year and (iv) any officer who would have been among the next three most highly compensated executive officers if they had been serving at the end of the most recent financial year. The Corporation's NEOs for the purpose of this Information Circular are listed below. Mr. Clayton Riddell, Paramount's Founder and Executive Chairman, passed away on September 15, 2018. If Mr. Clayton Riddell had been serving as an executive officer of the Corporation on December 31, 2018, he would have been among the next three most highly compensated executive officers and is therefore included as a NEO.

Clayton Riddell, former Executive Chairman
James Riddell, President and Chief Executive Officer and Chairman ("**CEO**")
Bernard Lee, Executive Vice President, Finance and Chief Financial Officer
Mitchell Shier, General Counsel, Corporate Secretary and Vice President, Land
John Williams, Executive Vice President, Kaybob
Rodrigo Sousa, Vice President, Corporate Development

2018 Corporate Performance and Market Conditions

2018 was Paramount's first full year of operations following the acquisition of Apache Canada Ltd. ("**Apache Canada**") and the merger with Trilogy Energy Corp. ("**Trilogy**"), both of which occurred in the third quarter of 2017 and were transformative to the Corporation. Financial and operational achievements in 2018 included:

- the successful integration of Apache Canada and Trilogy operations and personnel with those of the Corporation;
- the continued success of the Montney drilling and development program at Karr and Wapiti;
- the sale in July 2018 of the Corporation's Resthaven / Jayar property for gross proceeds of \$340 million;
- the redemption in April 2018 of all \$300 million principal amount of outstanding 7¼ percent senior unsecured notes of Trilogy due 2019;
- an increase in the Corporation's credit facility by \$500 million to \$1.2 billion in March 2018 and a further increase to \$1.5 billion in November 2018, coupled with an extension of the maturity date to November 2022.

Paramount and its peers continued to face challenging market conditions for much of 2018. Strengthening crude oil and liquids prices in the first three quarters of the year were offset by weak natural gas prices. A sharp decline in global crude oil prices and significantly widening differentials between Canadian oil and liquids prices against WTI occurred in the fourth quarter. The capital markets for Canadian energy producers in 2018 were adversely affected by pricing fundamentals, uncertainty respecting the future development of pipeline capacity and general economic conditions. Paramount's TSR (and that of its peers) for 2018, as well as the three and five year average TSR for each, are described below under "*Compensation Discussion and Analysis – Peer Group*".

2018 Compensation Determinations

Overall

The Compensation Committee approved compensation payable to the NEOs in 2018 consisting of a combination of base salary, CBRSUP awards and Option grants. The factors considered by the Compensation Committee in determining each specific component of compensation are described below.

As described in the table under the heading “*Executive Compensation – Summary Compensation Table*”, the total value of the compensation package paid to the NEOs in 2018 was significantly less than that paid in 2017, representing a year-over-year reduction of approximately 43% in the case of the CEO and an average reduction of approximately 39% in the case of each of the other NEOs (excluding Mr. Rodrigo Sousa, who was not a NEO in 2017). As set out under heading “*Total Return Performance Graph*”, this reduction in total compensation tracks the year over year change in the Corporation’s TSR, indicating strong correlation of NEO compensation practices with Shareholder return.

Base Salary

The objective of an NEO’s base salary is to provide a fixed level of cash compensation for performing day-to-day responsibilities. It is designed to reward executives for providing the services within their job description in a competent, professional manner. Paramount strives to pay base salaries that are competitive with its peer group and the Canadian oil and gas industry generally as salary is believed to be an important factor in attracting and retaining high-caliber people capable of achieving the Corporation’s business objectives.

The following base salaries were paid to the NEOs in 2018 and 2017:

Base Salaries in the Last Two Fiscal Years		
NEO	2018 Salary	2017 Salary
Clayton Riddell	\$271,690 ⁽¹⁾	\$383,562
James Riddell	\$410,800	\$402,741
Bernard Lee	\$326,800	\$320,388
Mitchell Shier	\$300,200	\$293,312
John Williams	\$336,900	\$97,289 ⁽²⁾
Rodrigo Sousa	\$275,000	\$21,863 ⁽³⁾

Note:

- (1) Mr. Clayton Riddell passed away on September 15, 2018. His salary shown reflects the actual amount paid to that date. His annualized salary for fiscal 2018 would have been \$383,563.
- (2) Mr. Williams became an executive officer of Paramount on September 14, 2017 following Paramount’s merger with Trilogy. His 2017 salary shown reflects the actual amount paid for the period from September 14, 2017 to the end of fiscal 2017. His annualized salary for fiscal 2017 would have been \$333,564.
- (3) Mr. Sousa became an executive officer of Paramount on December 7, 2017. His salary shown reflects the actual amount paid for the period from December 7, 2017 to the end of fiscal 2017. His annualized salary for fiscal 2017 would have been \$275,000.

The base salaries for Paramount’s NEOs increased in 2018 over 2017 by approximately 2.0% in the case of the CEO and from 0% to 2.3% in the case of the other NEOs. Despite the substantial increase in the size and complexity of the Corporation’s operations following completion of the Apache Canada and Trilogy transactions, the Compensation Committee determined that no material increase in base salary for 2018 should be made after taking into account peer comparables and the continuing focus on controlling costs across the Corporation.

CBRSUP Awards

Awards under the CBRSUP are typically comprised of a cash bonus component and a RSU component, with the weighting targeted at 1/3 and 2/3, respectively. This weighting places twice as much emphasis on the share component of the award to focus NEOs on, and incentivize them to pursue, long-term versus short-term corporate growth and performance. The RSUs typically vest 1/2 at the first anniversary of the award and the final 1/2 at the second anniversary of the award, provided the employee remains employed with the Corporation on the applicable vesting date. However, RSU grants to the CEO vest immediately. As the CEO is a major Shareholder, it is not necessary for there to be a delayed vesting feature in his RSU awards to ensure that his interests are aligned with Paramount’s other Shareholders.

The objective of the CBRSUP is to reward officers and employees for meeting or exceeding individual, departmental or corporate goals, which are described further under “*Incentive Plans - Cash Bonus and Restricted Share Unit Plan (CBRSUP) – Goals and Targets for Awards*”. RSU awards are intended to encourage Paramount’s officers and employees to have an ongoing investment in the Common Shares and are also intended to further align them with the goal of creating long-term Shareholder value. As the value of the Common Shares increases or decreases, the value of the RSUs also increases or decreases, thereby aligning the interests of Paramount’s officers and employees with those of its Shareholders. Paramount believes the delayed vesting of RSU awards that are made to officers and employees who are responsible for managing the Corporation’s assets and operations helps ensure that they do not undertake actions that achieve short-term results at the expense of long-term value creation for Shareholders.

The following CBRSUP awards were made to the NEOs in 2018 and 2017:

CBRSUP Awards in the Last Two Fiscal Years				
NEO	2018		2017	
	Cash Bonus (\$)	RSUs ⁽¹⁾ (#)	Cash Bonus (\$)	RSUs ⁽²⁾ (#)
Clayton Riddell	nil	50,000	nil	50,000
James Riddell	nil	100,000	nil	100,000
Bernard Lee	48,167	6,218	64,014	5,244
Mitchell Shier	48,167	6,218	58,604	4,802
John Williams	35,767	4,617	44,475	3,640
Rodrigo Sousa	45,333	5,852	nil	10,000

Notes:

- (1) The weighted average price of the Common Shares over the five trading days preceding the grant date of April 12, 2018 was \$15.49. The aggregate value of the RSUs granted to each NEO is set out in table under the heading "Executive Compensation – Summary Compensation Table".
- (2) The weighted average price of the Common Shares over the five trading days preceding the grant date of October 5, 2017 was \$24.44. The aggregate value of the RSUs granted to each NEO is set out in table under the heading "Executive Compensation – Summary Compensation Table".

CBRSUP awards to the NEOs are approved by Paramount's Compensation Committee in April of each year following consultation with Paramount's other independent directors. In making CBRSUP awards to the NEOs in 2018, the Compensation Committee considered the financial and operating results of the Corporation in 2017 and the achievement of individual, departmental and corporate goals during that year, which included goals related to production, capital program costs and execution, operating costs and finding and development costs. In addition, the Compensation Committee recognized the following achievements:

- the continued positive results from the drilling and development program at Karr;
- the successful completion of the transformative acquisition of Apache Canada and merger with Trilogy;
- the execution of the Corporation's acquisition and divestiture strategy, including the disposition of the Valhalla non-core property for \$150 million in cash; and
- the integration of Apache Canada and Trilogy, including the implementation of new, unified systems and processes.

The CBRSUP awards made to Messrs. Clay and James Riddell were comprised entirely of RSUs, thereby completely aligning their interests with Shareholder interests.

Compared to 2017, the grant date value of CBRSUP awards made to Messrs. Clay and James Riddell in 2018, as set out in the table under the heading "*Executive Compensation – Summary Compensation Table*", decreased by 37% and the grant date fair value of awards to each of the other NEOs in 2018 (excluding Mr. Rodrigo Sousa, who was not a NEO in 2017) decreased by an average of 21%.

Option Plan

The intent of the Option Plan is to recognize the contributions of Paramount's officers and employees who are responsible for Paramount's management and growth by granting them Options to acquire Common Shares, which also serves to directly align their interests with those of Paramount's Shareholders. Option grants under the Option Plan are the primary long-term compensation awarded to Paramount's executives.

NEOs are eligible for grants of Options when they commence employment with Paramount and thereafter on an annual basis. Options generally vest in equal tranches each successive year over a five-year period and expire six months after their last vesting date. Paramount believes that five-year vesting schedules help ensure that Paramount's NEOs, as well as its other officers and eligible employees, all feel a responsibility to manage Paramount's assets and operations with a view to the long-term health and growth of the Corporation.

The following Option grants were made to the NEOs in 2018 and 2017:

Options Granted in the Last Two Fiscal Years		
NEO	2018 ⁽¹⁾	2017 ⁽²⁾
Clayton Riddell	Nil	150,000
James Riddell	200,000	150,000
Bernard Lee	75,000	75,000
Mitchell Shier	60,000	65,000
John Williams	40,000	65,000
Rodrigo Sousa	60,000	50,000

Notes:

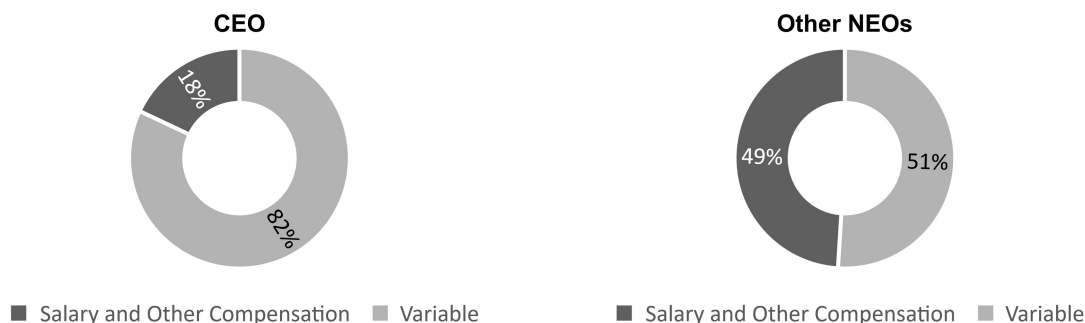
- (1) The weighted average price of the Common Shares over the five trading days preceding the grant date of December 5, 2018 was \$7.28. The grant date fair value of the Options granted to each NEO is set out in table under the heading "Executive Compensation – Summary Compensation Table",
- (2) The last closing price of the Common Shares prior to the grant date of December 6, 2017 was \$19.94. The grant date fair value of the Options granted to each NEO is set out in table under the heading "Executive Compensation – Summary Compensation Table".

Option grants are generally approved by Paramount's Compensation Committee in December of each year. In making Option grants to NEOs in 2018, the Compensation Committee considered individual contributions and responsibilities, the corporate achievements described under "*2018 Corporate Performance and Market Conditions*", the grant date fair value of the Option grants and the resulting alignment of total compensation payable to the NEOs with the Corporation's selected peer group and the overall level of Option holdings necessary to incentivize long-term performance by each NEO.

Compared to 2017, the grant date fair value of the Options granted to the CEO in 2018, as described in the table under the heading "*Executive Compensation – Summary Compensation Table*", decreased by 48% and the grant date fair value of Options granted to each of the other NEOs in 2018 (excluding Mr. Clayton Riddell, who did not receive an Option grant in 2018 prior to his passing, and Mr. Rodrigo Sousa, who was not a NEO in 2017) decreased by an average of 67%.

Compensation Mix

In determining compensation awards to be made to the Corporation's NEOs, consideration is given to all forms of compensation paid or payable so that an appropriate mix is attained between fixed compensation (consisting primarily of base salary) versus variable or at risk pay (consisting of CBRSP awards and Option grants), with the majority of such compensation intended to be variable or at risk. The following graphs show the percentages of fixed compensation versus variable or at risk compensation for the CEO in 2018 and the average percentages of fixed versus variable or at risk compensation for each of the other NEOs in 2018.



Peer Group

Paramount competes for executive talent with a wide range of Canadian exploration and development companies, but in particular with other intermediate-sized entities. Each year Paramount's Compensation Committee conducts a review of Paramount's competitors to determine which companies it believes are most appropriate to benchmark the Corporation against for performance and compensation purposes. Changes from the Corporation's 2017 peer group consisted of the removal of Bonavista Energy Corp. and the addition of NuVista Energy Ltd. In 2018, the peers set forth below were selected.

ARC Resources Ltd.	Baytex Energy Corp.	Birchcliff Energy Ltd.
Crescent Point Energy Corp.	Enerplus Corporation	NuVista Energy Ltd.
Peyto Exploration and Development Corp.	Seven Generations Energy Ltd.	Tourmaline Oil Corp.
Whitecap Resources Inc.		

In selecting the 2018 peer group, primary emphasis was given to companies with comparable production and asset levels as they generally represent direct competitors to Paramount with similar complexity in operational and financial profiles.

Secondary emphasis was given to market capitalization and enterprise value given that these measures, while indicative of the relative public market positioning of the entities compared to Paramount, can fluctuate significantly at any given time as a result of volatility in share prices. As an example, at December 31st, 2018 Paramount's relative positioning was at the 19th percentile on both market capitalization and enterprise value. However, relative positioning was at the 39th and 33rd percentile on market capitalization and enterprise value, respectively, against the same peers at January 1st, 2018.

The below table shows Paramount's production, assets, market capitalization and enterprise value as at December 31, 2018 compared against its peer group by percentile rank. Market capitalization and enterprise value amounts shown in the table below are based on values reported by Standard & Poor's Capital IQ and calculated in accordance with their methodologies.

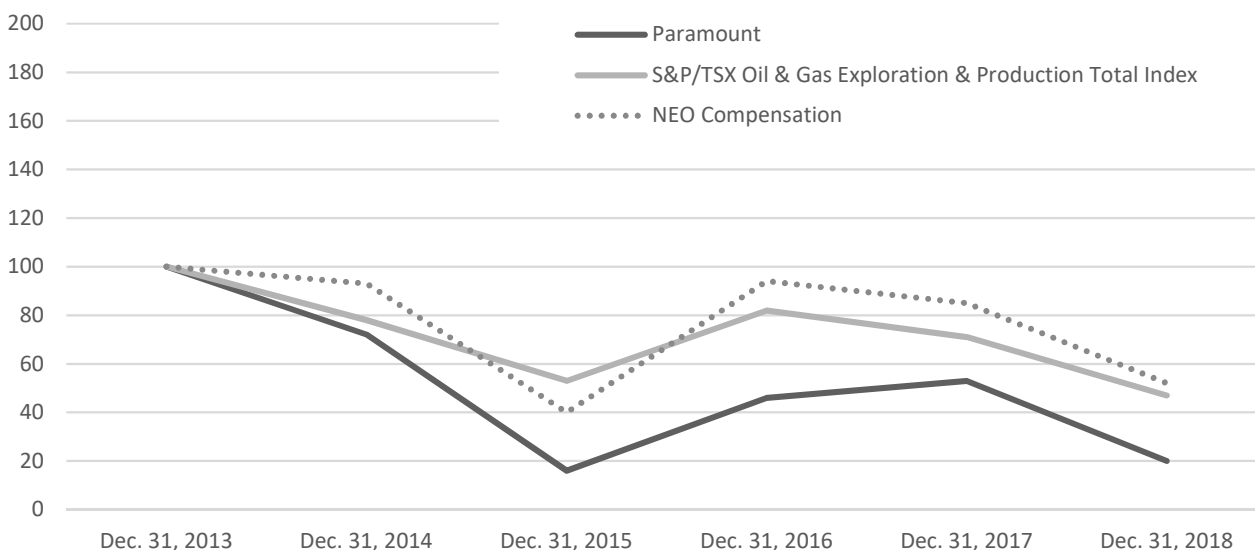
Paramount's Production, Assets, Market Capitalization and Enterprise Value vs. Peer Group				
	Production (Boe/d)	Assets (Millions)	Market Capitalization (Millions)	Enterprise Value (Millions)
Peer Group 25 th Percentile	74,897	\$3,029	\$1,105	\$2,128
Peer Group Median	86,235	\$5,988	\$2,043	\$3,162
Peer Group 75 th Percentile	184,275	\$8,773	\$3,156	\$5,964
Paramount	85,941	\$4,118	\$941	\$1,599
Percentile Rank December 2018	50th Percentile	38th Percentile	19th Percentile	19th Percentile

As part of its annual process of setting executive compensation, Paramount considers the compensation paid to the NEOs of its peer group as well as a range of other factors, including general trends affecting executive compensation in the Canadian oil and gas industry, the relative complexity of Paramount's business versus the peer group and the Corporation's growth prospects and performance as compared to its peers. The Corporation's 1, 3 and 5-year annual average returns compared to the peer group's average are set forth in the table below.

Paramount's Annual Average Return vs. Peer Group Average		
	Paramount	Peer Group
1-Year	-63%	-38%
3-Year	8%	-11%
5-Year	-28%	-20%

Total Return Performance Graph

The following graph compares the cumulative TSR for Paramount on the TSX of \$100 invested in Common Shares on December 31, 2013 with the total returns over the same five-year period of the S&P/TSX Oil & Gas Exploration & Production Total Index. Returns in both cases reflect the reinvestment of dividends. The graph also shows the percentage change in the total reported compensation of the Corporation's NEOs during this same five-year period.



TOTAL RETURN	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018
Paramount	100	72	16	46	53	20
S&P/TSX Oil & Gas E&P Total Return Index	100	78	53	82	71	47
NEO Compensation	100	93	40	94	85	52

The above graph and accompanying table demonstrate that NEO compensation has been strongly correlated with Paramount's TSR during the past five years. Increases and decreases in NEO compensation have tracked increases and decreases in Paramount's TSR, with the exception of 2017 when compensation decreased and TSR increased. It should be noted that the NEOs for 2018 included a total of six executive officers, as compared to five executive officers in each of the preceding financial years, resulting in an increase in the total NEO compensation over that which would have otherwise been reported for 2018.

Reported vs. Realizable Compensation

The following table compares the aggregate total reported compensation (as used in the Total Return Performance Graph above) paid by the Corporation to its NEOs in each of the last three financial years to the realizable compensation of such officers over such period. Realizable compensation differs from reported compensation as the value of Options granted in the applicable year is calculated based on the “in-the-money” amount as at December 31, 2018, as opposed to grant date fair value calculated using a Black-Scholes model, and the value of RSUs is calculated based on the market price of the Common Shares as at December 31, 2018, as opposed to grant date fair value. The closing price of the Common Shares on December 31, 2018 of \$7.18 was used in calculating realizable value for Options and RSUs in each year in the table below.

Compensation Type	2018 ⁽¹⁾		2017 ⁽²⁾		2016 ⁽³⁾	
	Reported	Realizable	Reported	Realizable	Reported	Realizable
Options	1,091,850	nil	3,272,400	nil	7,562,820	nil
RSU awards	2,678,991	1,241,458	4,000,322	1,175,265	nil	nil
Base Pay	1,921,390	1,921,390	1,497,292	1,497,292	1,583,253	1,583,253
Cash Bonuses	177,434	177,434	917,093	917,093	1,600,000	1,600,000
All Other Compensation	115,283	115,283	74,865	74,865	79,163	79,163
Total	5,984,948	3,455,565	9,761,972	3,664,515	10,825,236	3,262,416

Notes:

- (1) The reported compensation for the NEOs for 2018 is set out under the heading “Executive Compensation – Summary Compensation Table” and includes six named executive officers, compared to five named executive officers in 2017 and 2016.
- (2) The reported compensation for the named executive officers of the Corporation in 2017, which did not include Mr. Sousa, is set out under the heading “Executive Compensation – Summary Compensation Table”.
- (3) The reported compensation for the named executive officers of the Corporation in 2016, which did not include Mr. Sousa or Mr. Williams and included Mr. Darrel Purdy, is set out in full under the heading “Executive Compensation – Summary Compensation Table” in the Corporation’s management information circular dated March 20, 2017.

Compensation Governance

Role of the Compensation Committee

The Compensation Committee determines the compensation of the NEOs. The written charter of the Compensation Committee, which is available on the Corporation’s website at www.paramountres.com, sets out its composition, procedure and organization as well as its primary duties and responsibilities, which include:

- recommending to the Board compensation policies and general human resources policies and guidelines concerning employee compensation and benefits;
- ensuring that the Corporation has in place programs to attract and develop management of the highest caliber and a process to provide for the orderly succession of management;
- considering and, after reasonable consultation by the Chair of the Committee with all other independent directors of the Corporation, approving the annual salary, bonus and other benefits, direct and indirect, of the CEO and approving compensation for all other designated officers of the Corporation (in the latter case after considering the recommendations of the CEO), all in accordance with the Corporation’s compensation policies and general human resources policies and guidelines concerning employee compensation and benefits, and with such compensation to realistically reflect the responsibilities and risks of such positions;
- implementing and administering policies and guidelines relating to the following:
 - executive compensation, contracts, stock plans or other incentive plans; and
 - proposed personnel changes involving officers reporting to the CEO;
- reviewing, from time to time, the Corporation’s broad policies and programs in relation to benefits;

- annually receiving from the CEO recommendations concerning annual compensation policies and budgets for all employees;
- reviewing, from time to time, with the CEO the Corporation's broad policies on compensation for all employees and overall labour relations strategy for employees; and
- reporting regularly to the Board on all of the Committee's activities and findings.

Members of the Compensation Committee

The members of the Compensation Committee are Mr. James Bell (Chair), Mr. John Roy and Mr. Wilfred Gobert. Messrs. Bell, Roy and Gobert are all independent directors. A brief biography for each member of the Compensation Committee, setting out their relevant skills and experience, is provided below. When making decisions with respect to compensation, the Committee has the benefit of peer information obtained from public and third party sources as well as information from Paramount's Human Resources department. Given their wealth of experience and the resources available to them, the members of the Compensation Committee are well positioned to make decisions with respect to Paramount's compensation policies and practices.

James Bell (Chair)

Mr. Bell is currently President and Chief Executive Officer of Founders Advantage Capital Corp., a public investment company listed on the TSXV. From 2010 to 2016, Mr. Bell was General Counsel for Olympia Financial Group Inc. (a TSX listed company) and its wholly-owned subsidiary Olympia Trust Company (a non-deposit taking trust company). Prior thereto, Mr. Bell practiced securities and corporate commercial law as a partner at an international law firm until December 31, 2009. Mr. Bell has been involved in the negotiation and preparation of various executive compensation packages for both his current and former employers and has worked closely with the compensation committee at both entities as well. Further, Mr. Bell has experience with compensation principles and assessing risk factors relating to executive compensation. Further, in his role as a private practitioner, Mr. Bell advised numerous clients with respect to executive compensation matters.

John Roy

Mr. Roy was the Vice-President and Director, Investment Banking of Jennings Capital Inc. (a private investment banking firm), from 1997 to 2003, and prior to that he held various positions at Greenshields Incorporated and its successor, Richardson Greenshields of Canada Ltd. (a private investment banking firm). At Jennings Capital Inc., Mr. Roy was responsible for designing a compensation policy for all professional employees. In his various roles at Greenshields Incorporated and its successor, Richardson Greenshields of Canada Ltd., Mr. Roy was responsible for compensation matters for employees under his supervision. Mr. Roy graduated from Queen's University with a Bachelor of Science degree in Mechanical Engineering and received a Diploma in Management from McGill University.

Wilfred Gobert

Mr. Gobert has been involved in the oil and gas industry in Calgary since 1976, working with Peters & Co. Limited since 1979. When he retired from Peters & Co. Limited in 2006, Mr. Gobert was its Vice Chairman and through this role had significant involvement in compensation programs and practices for staff and executives. In addition to his B.Sc. (Honours) in Mathematics, Mr. Gobert received his Masters' in Business Administration (MBA) with a major in Finance, and holds a CFA designation. He is also a member of the compensation committee of Canadian Natural Resources Limited (a major Canadian oil and gas producer listed on both the TSX and the NYSE).

Risk Oversight in Relation to Compensation Policies and Practices

The Compensation Committee has discussed and assessed the risks related to Paramount's compensation policies and practices and is of the view that, when considered in their totality, Paramount's compensation policies and practices do not incentivize excessive risk taking.

Base Salary

Paramount's Compensation Committee believes that Paramount's salary program does not encourage inappropriate or excessive risk taking for the following reasons:

- Base salaries provide a steady income regardless of share price performance. This allows executives and employees to focus on both Paramount's near-term business plans and long-term goals and objectives without undue reliance on share price performance or short-term market fluctuations.
- Base salaries are competitive to attract high performing employees, but are not excessive.
- Increases to base salaries are generally moderate.
- Severance is based on common law principles, except in the case of one NEO as set out under "*Executive Compensation - Termination and Change of Control Benefits*", and there are no arrangements in place that would provide for a payment on change of control. Accordingly, management is focused on long-term value creation versus short-term growth with a view to a corporate sale that would trigger payout arrangements.

CBRSUP Awards

The Compensation Committee believes that the CBRSUP awards do not encourage inappropriate or excessive risk taking for the following reasons:

- Paramount's CBRSUP awards are variable at-risk components of compensation. The RSU component, which is typically 2/3 of the value of awards, encourages an ownership mentality among all recipients.
- The RSUs' delayed vesting provisions (two tranches over two years), encourage a focus on long-term value creation. These delayed vesting provisions apply to all employees eligible to receive a CBRSUP award other than the CEO, whose significant equity interest in Paramount achieves the same result.

Option Grants

Paramount's Compensation Committee believes that the Option Plan does not encourage inappropriate or excessive risk taking for the following reasons:

- The quantum of any Option grant is tied to past performance as well as the perceived future value of the recipient to Paramount. Grants of Options generally vest over five years, with the first tranche vesting only after the first year. This motivates the achievement of long-term objectives and aligns recipients' interests with Shareholders.
- Paramount generally does not award off-cycle grants of Options, except in the case of new employees.
- There is no automatic vesting upon a change of control and, with limited exceptions, upon resignation or termination all unvested options terminate.

Anti-Hedging Policy

The Corporation has a policy prohibiting its directors and officers from purchasing financial instruments including put and call options, prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity securities granted as compensation to them or held or controlled, directly or indirectly, by them.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides a summary of compensation earned by Paramount's NEOs in the three most recently completed financial years.

Name and Principal Position	Year	Salary (\$)	Share-based awards ⁽¹⁾ (\$)	Option-based awards ⁽²⁾ (\$)	Non-equity incentive plan compensation ⁽³⁾ (\$)	All other compensation ⁽⁴⁾ (\$)	Total compensation (\$)
Clayton Riddell ⁽⁵⁾⁽⁶⁾ Executive Chairman	2018	271,690	774,700	nil	nil	16,301	1,062,691
	2017	383,562	1,221,950	972,000	nil	19,178	2,596,690
	2016	361,522	nil	2,324,602	nil	18,076	2,704,200
James Riddell ⁽⁶⁾ President and CEO and Chairman	2018	410,800	1,549,400	502,000	nil	24,648	2,486,848
	2017	402,741	2,443,900	972,000	500,000	20,137	4,338,778
	2016	379,598	nil	2,710,000	1,200,000	18,980	4,308,578
Bernard Lee Executive Vice President, Finance and Chief Financial Officer	2018	326,800	96,342	188,250	48,167	19,608	679,167
	2017	320,388	128,158	486,000	164,014	16,019	1,114,579
	2016	301,977	nil	1,060,370	200,000	15,099	1,577,446
Mitchell Shier General Counsel and Corporate Secretary	2018	300,200	96,342	150,600	48,167	18,012	613,321
	2017	293,312	117,356	421,200	158,604	14,666	1,005,138
	2016	276,458	nil	830,688	100,000	13,823	1,220,969
John Williams ⁽⁷⁾ Executive Vice President, Kaybob	2018	336,900	71,536	100,400	35,767	20,214	564,817
	2017	97,289	88,958	421,200	94,475	4,865	706,787
Rodrigo Sousa ⁽⁸⁾ Vice President, Corporate Development	2018	275,000	90,671	150,600	45,333	16,500	578,104
	2017	21,863	208,300	329,759	nil	1,093	561,015

Notes:

- (1) Amounts represent the grant date fair value of the RSU component of CBRSUP awards, calculated by multiplying the number of RSUs comprised in each CBRSU award by the weighted average price of the Common Shares over the five trading days preceding the grant date. For Messrs. Clayton Riddell and James Riddell, the entire grant of RSUs vested on the grant date. For the remaining NEOs, one-half of the RSUs vest on the first anniversary of the grant date and the final one-half vest on the second anniversary of the grant date. See "Incentive Plans – Cash Bonus and Restricted Share Unit Plan (CBRSUP)".
- (2) Amounts represent the grant date fair value of Options granted, calculated using a Black-Scholes model. This methodology is consistent with the method used to estimate the fair value of Options in Paramount's financial statements. For the 2018 grants, the inputs were: expected life 4.0 years, volatility 42% and interest rate 2.1%. For the 2017 grants, the inputs were: expected life 3.9 years, volatility 40% and interest rate 1.6%. In 2016 there were two option grants – one in March and one in December. For the March 2016 grants, the inputs were: expected life 4.1 years, volatility 57.5% and interest rate 0.6%, and for the December 2016 grants, the inputs were: expected life 3.9 years, volatility 43.7% and interest rate 0.9%. See "Incentive Plans – Option Plan".
- (3) 2018 amounts represent the cash component of CBRSU awards. 2017 amounts represent cash bonuses paid, including the cash component of CBRSU awards and other bonuses. 2016 amounts represent cash bonuses paid. See "Incentive Plans – Cash Bonus and Restricted Share Unit Plan (CBRSUP)".
- (4) Amounts represent contributions made by the Corporation in respect of RRSPs of the NEOs. Paramount does not have any defined benefit or defined contribution pension plan for its employees, including the NEOs. No amounts are reflected for perquisites, such as parking. No NEO received perquisites not generally available to all employees of the Corporation in any financial year with an aggregate value in excess of 10% of the salary of the NEO.
- (5) Mr. Clayton Riddell passed away on September 15, 2018.
- (6) Messrs. Clayton Riddell and James Riddell did not receive compensation in their capacity as directors of Paramount.
- (7) Mr. Williams became an executive officer of Paramount on September 14, 2017 following Paramount's merger with Trilogy Energy Corp. The 2017 salary shown represents Mr. Williams' salary from such time until the end of fiscal 2017.
- (8) Mr. Sousa became an executive officer of Paramount on December 7, 2017. The 2017 salary shown represents Mr. Sousa's salary from such time until the end of fiscal 2017.

Outstanding Options and RSUs

The following table summarizes the outstanding Options and RSUs held by the NEOs as at December 31, 2018.

Name	Options				RSUs		
	Number of securities underlying unexercised Options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of unvested RSUs (#)	Market or payout value of unvested RSUs ⁽¹⁾ (\$)	Market or payout value of vested RSUs not paid out or distributed (\$)
Clayton Riddell ⁽²⁾	150,000	19.94	April 30, 2023	nil	nil	nil	nil
	200,000	18.23	April 30, 2022	nil			
	117,880	8.17	April 30, 2020	nil			
James Riddell	200,000	7.28	April 30, 2024	nil	nil	nil	nil
	150,000	19.94	April 30, 2023	nil			
	200,000	18.23	April 30, 2022	nil			
	240,000	8.17	April 30, 2020	nil			
Bernard Lee	75,000	7.28	April 30, 2024	nil	8,840	63,471	nil
	75,000	19.94	April 30, 2023	nil			
	100,000	18.23	April 30, 2022	nil			
	71,700	8.17	April 30, 2020	nil			
Mitchell Shier	60,000	7.28	April 30, 2024	nil	8,619	61,884	nil
	65,000	19.94	April 30, 2023	nil			
	75,000	18.23	April 30, 2022	nil			
	99,300	8.17	April 30, 2020	nil			
John Williams	40,000	7.28	April 30, 2024	nil	6,437	46,218	nil
	65,000	19.94	April 30, 2023	nil			
Rodrigo Sousa	60,000	7.28	April 30, 2024	nil	10,852	77,917	nil
	50,000	20.28	April 30, 2023	nil			

Note:

- (1) The amounts set out in the "Value of unexercised in-the-money options" and "Market or payout value of unvested RSUs" columns are in respect of all vested and unvested Options, and all unvested RSUs, respectively, held by the NEOs as at December 31, 2018. These amounts were calculated using the \$7.18 closing trading price of the Common Shares on December 31, 2018.
- (2) Following the passing of Mr. Clayton Riddell on September 15, 2018, the Compensation Committee, with the concurrence of the other independent members of the Board, resolved, in recognition of his long and loyal service to the Corporation, that all Options and Trilogy Awards held by him at the time of his passing would continue to vest and be exercisable by his estate until their expiry dates. Options noted as being held by Mr. Clayton Riddell as of December 31, 2018 are held by his estate.

Certain of the NEOs were directors or officers of Trilogy and held options to acquire common shares of Trilogy in that capacity ("Trilogy Awards"). The Trilogy Awards became options to acquire Common Shares in connection with the Corporation's merger and subsequent amalgamation with Trilogy. The following table summarizes the Trilogy Awards held by the applicable NEOs as at December 31, 2018, which options are not included in the above table.

Trilogy Awards				
Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)
Clayton Riddell ⁽²⁾	40,000	39.00	April 30, 2020	nil
	40,000	25.50	May 2, 2022	nil
	18,848	16.87	April 30, 2020	nil
James Riddell	66,666	39.00	April 30, 2020	nil
	53,333	25.50	May 2, 2022	nil
	71,120	16.87	April 30, 2020	nil
Mitchell Shier	4,000	39.00	April 30, 2020	nil
	4,000	25.50	May 2, 2022	nil
	5,200	16.87	April 30, 2020	nil
John Williams	53,333	39.00	April 30, 2020	nil
	46,666	25.50	May 2, 2022	nil
	57,766	16.87	April 30, 2020	nil

Note:

- (1) The amounts set out in the "Value of unexercised in-the-money options" column are in respect of all vested and unvested Trilogy Awards held by the NEOs as at December 31, 2018. These amounts were calculated using the \$7.18 closing trading price of the Common Shares on December 31, 2018.
- (2) Trilogy Awards noted as being held by Mr. Clayton Riddell as of December 31, 2018 are held by his estate.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table shows the value of Options and RSUs held by NEOs that vested during 2018 as well as cash bonuses paid in 2018, which consist of the cash component of CBRSUP awards made in the year.

Name	Options – Value vested during the year (\$) ⁽¹⁾⁽²⁾	RSUs – Value vested during the year (\$) ⁽³⁾	Non-equity incentive plan compensation – Value earned during the year (\$)
Clayton Riddell	223,383	nil	nil
James Riddell	303,200	nil	nil
Bernard Lee	90,581	41,900	48,167
Mitchell Shier	75,269	38,368	48,167
John Williams	nil	29,084	35,767
Rodrigo Sousa	nil	79,900	45,333

Notes:

- (1) The value of Options vested is the number of Common Shares underlying that portion of the Option that vested during the year multiplied by difference between \$11.96, the closing price of the Common Shares on the vesting date of October 19, 2018, and the exercise price.
- (2) Messrs. C. Riddell, J. Riddell, Shier and Williams also had Trilogy Awards that vested during 2018. The value vested during the year was nil based on the difference between \$11.96, the closing price of the Common Shares on the vesting date of October 19, 2018, and the exercise price.
- (3) Amounts shown are based on the number of RSUs vested multiplied by \$15.98, the last closing price of the Common Shares prior to the vesting date of April 15, 2018.

Termination and Change of Control Benefits

No NEO, other than Mr. Shier, has an agreement with the Corporation providing for a payment upon termination, retirement, resignation or a change of control. Mr. Shier has an employment agreement with the Corporation that specifies that, if his employment is terminated without cause, he is entitled to receive a severance amount equal to two times his annual salary plus all outstanding vacation pay to the date of termination. In addition, upon a termination without cause: (i) Mr. Shier's unvested Options which are scheduled to vest during the 24 months following the date of termination immediately vest and become exercisable; and (ii) his unvested RSUs also vest. Mr. Shier otherwise has the same rights and entitlements as the other NEOs. Mr. Shier's employment agreement does not provide for any payment upon a change of control, retirement or resignation. The table below sets out the estimated amounts that Mr. Shier would have been entitled to if he had been terminated without cause on December 31, 2018.

	Severance ⁽¹⁾	Option Benefit ⁽²⁾	RSU Benefit ⁽³⁾	Total
Mitchell Shier	\$636,424	nil	\$61,884	\$698,308

Notes:

- (1) Severance is calculated using annual cash compensation for 2018.
- (2) Option benefit is the "in-the-money" amount of all unvested options held as at December 31, 2018 scheduled to vest in the 24 months following that date, calculated using the \$7.18 closing trading price of the Common Shares on December 31, 2018.
- (3) RSU benefit is the value of all unvested RSUs held as at December 31, 2018 calculated using the \$7.18 closing trading price of the Common Shares on December 31, 2018. No taxes have been deducted from the total.

As discussed below under "*Incentive Plans*", Paramount's CBRSUP and Option Plan provide that the vesting of all unvested RSUs and Options may be accelerated in certain circumstances at the discretion of the Board, including upon a change of control. See "*Executive Compensation - Outstanding Options and RSUs*" for a summary of the value of Options and RSUs held by each NEO as at December 31, 2018, which value would have been fully realizable by each NEO at such date if the vesting of all Options and RSUs in connection with a change of control had occurred on such date.

DIRECTOR COMPENSATION

Director Compensation Table

The following table provides a summary of compensation earned by the non-management directors of Paramount in each of the last three financial years.

Name	Year	Fees earned (\$)	Option-based Awards ⁽¹⁾ (\$)	Total Compensation (\$)
James Bell	2018	50,000	37,650	87,650
	2017	73,880	97,200	171,080
	2016	39,108	148,350	187,458
John Gorman	2018	65,000	37,650	102,650
	2017	77,592	97,200	174,792
	2016	48,883	148,350	197,233
Dirk Jungé	2018	50,000	37,650	87,650
	2017	35,069	97,200	132,269
	2016	34,856	148,350	183,206
Susan Riddell Rose	2018	40,000	37,650	77,650
	2017	26,567	97,200	123,767
	2016	26,354	148,350	174,704
John Roy	2018	50,000	37,650	87,650
	2017	69,943	97,200	167,143
	2016	41,234	148,350	189,584
Wilfred Gobert ⁽²⁾	2018	40,000	37,650	77,650
	2017	7,441	97,200	104,641
Robert MacDonald ⁽²⁾	2018	40,000	37,650	77,650
	2017	6,378	97,200	103,578
R. Keith MacLeod ⁽²⁾	2018	50,000	37,650	87,650
	2017	6,378	97,200	103,578

Notes:

- (1) Amounts represent the grant date fair value of Options granted calculated using a Black-Scholes model. This methodology is consistent with the method used to estimate the fair value of options in Paramount's financial statements. For the 2018 grants, the inputs were: expected life 4.0 years, volatility 42% and interest rate 2.1%. For the 2017 grants, the inputs were: expected life 3.9 years, volatility 40% and interest rate 1.6%. In 2016 there were two option grants – one in March and one in December. For the March 2016 grants, the inputs were: expected life 4.1 years, volatility 57.5% and interest rate 0.6%, and for the December 2016 grants, the inputs were: expected life 3.9 years, volatility 43.7% and interest rate 0.9%. See "Incentive Plans – Option Plan".
- (2) Messrs. Gobert, MacDonald and MacLeod were appointed to the Board on September 8, 2017.

Narrative Discussion of Director Compensation

General

The non-management directors of the Corporation are compensated through fees and the grant of Options under the Option Plan. Non-management directors do not participate in the CBRSP or any other non-equity incentive plan. The Corporation does not have any defined benefit or defined contribution pension plan for any director, officer or employee.

Fees

The column entitled "Fees earned" in the Director Compensation Table sets out the cash fees earned by each non-management director in each of the last three fiscal years. Fees for each financial year are reviewed and set by the Compensation Committee, after consultation with all independent directors, in December of the prior year.

In December 2017, the Compensation Committee reviewed the compensation payable to directors of a select group of peer companies. After reviewing such information and consulting with all other independent Board members of the Corporation, the Compensation Committee recommended that the Board approve revised director compensation effective January 1, 2018 consisting of: (i) a \$40,000 annual honorarium, (ii) an additional \$10,000 annual honorarium for chairing a committee of the Board, and (iii) an additional \$15,000 honorarium for acting as Lead Director. No fees are payable for attending meetings or signing written resolutions. Prior to the changes implemented in 2018, non-management directors were paid annual honorariums, additional honorariums for chairing committees of the Board and fees for attending meetings and signing written resolutions.

Option-based Awards

Option grants to the non-management directors are considered annually by the Compensation Committee in December of each year. Option grants are intended to align the interests of the non-management directors with those of the Shareholders by providing a long-term incentive that tracks share price performance. 15,000 Options have been granted to each of the non-management directors in each of the last three financial years.

Outstanding Options Held by Directors

The following table summarizes the outstanding Options held by non-management directors as at December 31, 2018.

Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) ⁽¹⁾
James Bell	15,000	7.28	April 30, 2024	nil
	15,000	19.94	April 30, 2023	nil
	15,000	18.23	April 30, 2022	nil
	15,000	8.17	April 30, 2020	nil
John Gorman	15,000	7.28	April 30, 2024	nil
	15,000	19.94	April 30, 2023	nil
	15,000	18.23	April 30, 2022	nil
	15,000	8.17	April 30, 2020	nil
Dirk Jungé	15,000	7.28	April 30, 2024	nil
	15,000	19.94	April 30, 2023	nil
	12,000	18.23	April 30, 2022	nil
	3,000	8.17	April 30, 2020	nil
Susan Riddell Rose	15,000	7.28	April 30, 2024	nil
	15,000	19.94	April 30, 2023	nil
	15,000	18.23	April 30, 2022	nil
	15,000	8.17	April 30, 2020	nil
John Roy	15,000	7.28	April 30, 2024	nil
	15,000	19.94	April 30, 2023	nil
	15,000	18.23	April 30, 2022	nil
	15,000	8.17	April 30, 2020	nil
Wilfred Gobert ⁽²⁾	15,000	7.28	April 30, 2024	nil
	15,000	19.94	April 30, 2023	nil
Robert MacDonald ⁽²⁾	15,000	7.28	April 30, 2024	nil
	15,000	19.94	April 30, 2023	nil
R. Keith MacLeod ⁽²⁾	15,000	7.28	April 30, 2024	nil
	15,000	19.94	April 30, 2023	nil

Notes:

(1) These amounts were calculated using the \$7.18 closing trading price of the Common Shares on December 31, 2018 and in respect of all vested and unvested options.

(2) Messrs. Gobert, MacDonald and MacLeod were appointed to the board on September 8, 2017.

Certain of the non-management directors were directors of Trilogy and held Trilogy Awards in that capacity. The Trilogy Awards became options to acquire Common Shares in connection with the Corporation's merger and subsequent amalgamation with Trilogy. The following table summarizes the Trilogy Awards held by the applicable directors as at December 31, 2018, which options are not included in the above table.

Name	Trilogy Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)
Wilfred Gobert	4,000	39.00	April 30, 2020	nil
	4,000	25.50	May 2, 2022	nil
	5,200	16.87	April 30, 2020	nil
Robert MacDonald	4,000	39.00	April 30, 2020	nil
	4,000	25.50	May 2, 2022	nil
	5,200	16.87	April 30, 2020	nil
R. Keith MacLeod	4,000	39.00	April 30, 2020	nil
	4,000	25.50	May 2, 2022	nil
	5,200	16.87	April 30, 2020	nil

Note:

(1) These amounts were calculated using the \$7.18 closing trading price of the Common Shares on December 31, 2018 and in respect of all vested and unvested options.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table shows the value of Options held by non-management directors that vested during 2018.

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾⁽²⁾
James Bell	11,370
John Gorman	11,370
Dirk Jungé	11,370
Susan Riddell Rose	11,370
John Roy	11,370
Wilfred Gobert	nil
Robert MacDonald	nil
R. Keith MacLeod	nil

Notes:

- (1) The value of Options vested is the number of Common Shares underlying that portion of the Option that vested during the year multiplied by difference between \$11.96, the closing price of the Common Shares on the vesting date of October 19, 2018, and the exercise price.
- (2) Messrs. Gobert, MacDonald and MacLeod also had options underlying Trilogy Awards that vested during 2018. The value vested during the year was nil based on the difference between \$11.96, the closing price of the Common Shares on the vesting date of October 19, 2018, and the exercise price.

Share Ownership and Hold Period Requirements

Paramount's directors must acquire Common Shares having a value equal to at least three times their annual base retainer and continue to hold such Common Shares throughout their tenure.

Each of Paramount's directors has acquired the requisite number of shares under this policy. See "*Nominees for Election to the Board of Directors*" for the Common Shares held by each nominee director.

INCENTIVE PLANS

Cash Bonus and Restricted Share Unit Plan (CBRSUP)

Purposes, Eligible Participants and Awards

The purposes of the CBRSUP are to: (i) attract and retain qualified officers and employees, (ii) encourage the acquisition of Common Shares by officers and employees, thereby aligning their interests with the interests of the Shareholders and (iii) focus officers and employees on meeting and exceeding corporate, departmental and individual goals, achieving high standards of operating performance and creating long-term Shareholder value.

Under Paramount's CBRSUP, officers and full time employees may receive bonuses in the form of CBRSUP awards. CBRSUP awards are granted annually at the discretion of the Compensation Committee and are subject to corporate, departmental and individual goals being met or exceeded. Typically, awards will be calculated following the completion of the previous fiscal year and granted to eligible employees in April.

Each CBRSUP award consists of a combination of cash and a grant of RSUs. Subject to the discretion of the Compensation Committee: (i) the value of each CBRSUP award is paid 1/3 in cash and 2/3 in RSUs; (ii) RSUs vest as to 1/2 on each anniversary of the date of grant, except in the case of RSUs granted to the President and Chief Executive Officer, which vest immediately, and (iii) upon vesting, each RSU is exchanged for one Common Share or, at the discretion of the Compensation Committee, a cash payment equivalent to the five day volume weighted average trading price of the Common Shares prior to the vesting date, in each case subject to required withholdings.

Common Shares issued pursuant to RSUs awarded under the CBRSUP are acquired through the facilities of the TSX by a third-party custodian. Neither management nor the Board (either directly or through the Compensation Committee) have any direct or indirect control over the time, price, amount or manner of such purchases of Common Shares.

Goals and Targets for Awards

The potential corporate, departmental and individual goals on which the CBRSUP awards for each recipient are based are summarized below. The weighting of these goals will be different for each eligible employee. In the case of NEOs, and in particular the President and CEO, relatively more weighting is placed on corporate goals.

Corporate Goals: Corporate goals are established by the President and CEO at the end of each year for the ensuing year. Corporate goals would typically include targets in respect of the Corporation's: (i) production; (ii) reserves additions; (iii) drillable prospects inventory additions; (iv) operating costs, finding and development costs and general and administrative expenses; (v) capital program costs and execution; and (vi) safety. The corporate goals component also considers Paramount's financial, operating and share performance results versus its peers in the applicable year.

Departmental Goals: Departmental goals are established by the applicable department leader and approved by one of Paramount's executive officers having oversight over such department. Goals for each department are unique to each department, but typically include such things as: (i) improvement in lost time incidents; (ii) process improvements; and (iii) better efficiency.

Individual Goals: Individual goals as established during the annual performance review process and the employee's job performance for the preceding year. This component also reflects any significant tangible benefits that the employee brought to his or her department and/or the Corporation in the year over and above those identified as part of his or her individual goals for the year. The employee's individual goals are established by the employee's supervisor and approved by the applicable department leader.

Each employee has a target CBRSUP award based on his or her role and position within the Corporation.

Termination of Rights

If employment with Paramount ceases for any reason, other than retirement (after age 65 and a minimum of five years of service), long-term disability or death, all outstanding unvested RSUs held by the employee terminate, unless the Compensation Committee determines otherwise. In the event of death, all outstanding unvested RSUs vest immediately. Unvested share units held by retiring employees or employees on long-term disability continue to vest in accordance with their existing original vesting schedule.

Change of Control or Sale

The definition of a change of control under the CBRSUP is substantially the same as that under the Option Plan (see below). In the event of a change of control or a sale by the Corporation of all or substantially all of its assets, the Compensation Committee may determine, in its sole discretion, to accelerate the vesting of unvested RSUs.

Adjustments

In the event of any: (i) change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; (ii) rights granted to Shareholders to purchase Common Shares at prices substantially below fair market value; (iii) recapitalization, merger, consolidation or other transaction that is not a Change of Control, and as a result the Common Shares are converted into or exchangeable for any other securities or Shareholders are entitled to receive new or additional securities of the Corporation and/or securities of another corporation, trust, partnership or other entity and/or other property; or (iv) dividends or distributions, the Compensation Committee may make such adjustments to the CBRSUP and to any awards outstanding as they in their sole discretion consider appropriate.

Administration

The CBRSUP is administered by the Compensation Committee on behalf of the Board. The Compensation Committee has the full right and authority to administer the CBRSUP and to exercise all the powers and authorities either specifically granted to it under the plan or that the Committee otherwise deems necessary or advisable to properly administer the plan (provided they are not inconsistent with any of the express provisions of the plan).

Amendments

The Compensation Committee may revise or amend the terms of the CBRSUP and/or any RSUs from time to time, should business circumstances warrant. The Board and the Compensation Committee also have the discretion to terminate the CBRSUP and/or any RSUs at any time. If the CBRSUP is terminated, the provisions of the CBRSUP in force at that time will continue in effect as long as any awards of RSUs remain outstanding. Any amendment to the CBRSUP and/or any RSUs takes effect only with respect to awards granted after the date of such amendment, provided that the amendment may apply to any outstanding awards with the mutual consent of Paramount and the holders of such RSUs.

Option Plan

Purpose, Eligible Participants, Plan Limits and Administration

The purpose of the Option Plan is to recognize those persons who are responsible for the management and growth of the Corporation and advance the interests of the Corporation by encouraging and enabling the acquisition of Common Shares by participants.

The Option Plan enables the Board to grant to key employees, officers and non-employee directors Options to acquire Common Shares.

Under the terms of the Option Plan, the number of Common Shares reserved for issuance cannot exceed 10% of the issued and outstanding Common Shares from time to time. The maximum number of Common Shares that may be reserved for issuance to insiders pursuant to Options granted under the Option Plan and any other share based compensation arrangement, in the aggregate and within any one-year period, is 10% of the outstanding Common Shares.

The Board is responsible for administering the Option Plan and may delegate its administrative authority to the Compensation Committee. References to the Board in this description of the Option Plan include the Compensation Committee acting on behalf of the Board.

Exercise Price and Terms

The exercise price of an Option cannot be less than the volume weighted average trading price of the Common Shares on the TSX for the five completed trading days immediately prior to the date of grant.

Optionholders may either: (i) exercise vested Options for Common Shares or (ii) at the discretion of the Board, surrender vested Options for a cash payment in an amount equal to the positive difference, if any, between the volume weighted average trading price of the Common Shares on the TSX for the five completed trading days preceding the date of surrender and the exercise price of the Option. In order for Paramount to comply with applicable income tax and related withholding obligations with respect to stock option exercises, optionholders are required, when exercising Options, to provide Paramount with the necessary funds to satisfy such obligations and Paramount has the irrevocable right to set off any amounts required to be withheld against amounts otherwise owed to optionholders or to make such other arrangements as are satisfactory to Paramount.

No Financial Assistance and Assignment

No financial assistance is provided by Paramount to optionholders to facilitate the exercise of Options. Options may be exercised only by the optionholder and are not assignable, except on death in which case the personal representative of the optionholder may exercise such vested Options to the extent the holder was entitled at the date of death.

Term and Vesting

The Option Plan provides that Option grants may be made for a term not exceeding ten years from the date of the grant and on such vesting terms as may be approved by the Board.

Options granted under the Option Plan generally have a 5-year vesting schedule, with one 1/5th of the Options vesting annually. All currently outstanding Options have expiry dates that are six months after their final vesting date and all expire no later than April 30, 2024.

For Options that would expire on, or within nine business days immediately following, a date upon which a holder is prohibited from exercising an Option due to a black-out period or other trading restriction imposed by the Corporation, the expiry date of such Options is automatically extended to the 10th business day following the date the black-out period or other trading restriction is removed.

Termination of Rights

Unless otherwise determined by the Board: (i) in the event an optionholder ceases to be employed with, or ceases to be a director of, Paramount for any reason, other than death, the optionholder shall have sixty days from the date of notice of such termination, or such shorter or longer period (not to exceed three years) as may be otherwise determined by the Board and specified in an Option agreement, to exercise his or her vested Options, with any unvested Options as of such date being terminated; and (ii) in the event of the death of an optionholder, his or her vested Options may be exercised or surrendered for cash by his or her personal representative at any time up to and including one year after death, unless specified otherwise in the optionholder's Option agreement, with any unvested Options terminating at the date of death.

Adjustments

Options may be adjusted in the sole discretion of the Board as a result of a reorganization, merger or dissolution of Paramount or a sale of all or substantially all of Paramount's assets or in the event of a subdivision or consolidation of the Common Shares.

Change of Control, Sale or Takeover Bid

A change of control is defined in the Option Plan as: (i) Paramount entering into an agreement resulting in a person or persons acquiring more than 50% of Paramount's then outstanding Common Shares; (ii) the passing of a resolution by the Board or Shareholders to substantially liquidate or wind up the business or significantly rearrange Paramount's affairs; or (iii) a change to the majority of the Board at a meeting in which the election of directors is contested. If a change of control occurs or there is a sale by the Corporation of all or substantially all of its assets, optionholders may be authorized, at the sole discretion of the Board, to exercise or surrender, in full or in part, any unexercised Options (including all unvested Options) during the term of the Options or within 60 days after the date of their termination of employment with Paramount. In the event of a formal take-over bid being made for the Common Shares, the Board, in their sole discretion, may accelerate the vesting of any outstanding Options so that all unvested Options vest and become exercisable.

Amendments to the Option Plan and/or Options Thereunder; Suspension or Termination of the Option Plan

The following changes to the Option Plan and/or Options granted thereunder may be made by the Board without the approval of Shareholders: (a) to the provisions of the Option Plan respecting the persons eligible to receive Options; (b) to the terms or conditions of vesting applicable to any Option; (c) to accelerate the expiry date or change the termination provisions of an Option; (d) to the adjustment provisions of the Option Plan; (e) to the Option Plan or any Options as necessary to comply with, satisfy or address applicable laws or regulatory requirements; (f) of a "housekeeping" nature, including, without limitation, to clarify the meaning of an existing provision of the Option Plan, correct or supplement any provision of the Plan that is inconsistent with any other provision of the Option Plan or correct any grammatical or typographical errors; (g) to the mechanics of exercise of the Options; (h) respecting the administration of the Option Plan; and (h) any other amendment to the Option Plan or any Options that does not require shareholder approval under the rules, regulations and policies of the TSX.

The following changes to the Option Plan and/or Options granted thereunder may not be made without the approval of the Shareholders: (a) to increase the percentage of Common Shares issuable under the Option Plan; (b) to increase or remove the insider participation limits set out in the Option Plan; (c) add any financial assistance provision to, or change the assignment and transferability provisions of, the Option Plan; (d) to extend the expiry date of any Option(s); (e) to reduce the exercise price of any Option(s) or otherwise effectively re-price any Option(s); (f) to the amendment provisions of the Option Plan; and (g) that otherwise require shareholder approval under the rules, regulations and policies of the TSX.

The Option Plan may also be discontinued, suspended or terminated by the Board at any time, subject to any required TSX approvals; provided, however, that no such actions or amendments may adversely alter or impair any Option previously granted without the consent of the holder thereof unless it is required by applicable laws or regulations.

Amendments within the Last Fiscal Year

On March 7, 2018, the Board approved the following changes to the Option Plan: (i) revising the provisions of the Option Plan governing amendments to the Option Plan and/or Options granted thereunder to update and clarify what amendments can be made without Shareholder approval and what amendments require Shareholder approval; (ii) revising the provision regarding the minimum exercise price of Options granted such that the volume weighted average trading price of the Common Shares on the TSX for the five completed trading days immediately prior to the date of grant shall be used instead of the closing price of the Common Shares on the TSX on the trading day prior to the grant date; and (iii) extending the expiry date of Options that would otherwise expire during (or shortly after the termination of) blackout periods or other trading restrictions imposed by the Corporation. These amendments were approved by the Shareholders at the annual general meeting held on May 9, 2018 and are reflected in the description of the Option Plan provided above.

Options Outstanding and Remaining Available for Grant

As at December 31, 2018, there were Options to acquire 12,465,163 Common Shares outstanding under the Option Plan with Options to acquire 624,735 Common Shares remaining available for grant, representing approximately 9.52% and 0.48% of the total number of outstanding Common Shares as at such date, respectively.

Burn Rate for the Last Three Years

Pursuant to TSX rules, Paramount is required to calculate and disclose the annual “burn rate” of the Option Plan for the three most recently completed financial years. The annual burn rate is equal to the number of Options granted under the Option Plan in the applicable year, divided by the weighted average number of securities outstanding in that year, expressed as a percentage. Paramount’s average burn rate over the last 3 years is 3.9%.

Financial Year Ending December 31	Burn Rate (%)
2016	4.2%
2017	4.8%
2018	2.8%

Equity Compensation Plan Information

The Option Plan is the only compensation plan under which equity securities of Paramount have been authorized for issuance from treasury. The unallocated Options under the Option Plan were last approved by the Shareholders at the annual general meeting held on May 9, 2018. As of December 31, 2018, there was an aggregate of 12,465,163 Options outstanding under the Option Plan, the details of which are as follows:

Number of securities to be issued upon exercise of outstanding options as at December 31, 2018	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issues under equity compensation plans (excluding securities reflected in the first column) as at December 31, 2018
12,465,163	\$15.674	624,735

INDEBTEDNESS OF DIRECTORS AND OFFICERS

The Corporation has a policy prohibiting it from making loans to its directors and officers and no such indebtedness is outstanding.

CORPORATE GOVERNANCE

The Corporate Governance Committee is presently comprised of John Gorman (Lead Director), John Roy (Chair), James Bell, Wilfred Gobert, Dirk Jungé, Robert MacDonald and Keith MacLeod. All members are unrelated, independent and non-management directors as defined by applicable securities laws.

In developing its approach to governance, the Committee has considered applicable securities legislation and policies, Paramount’s by-laws, Paramount’s organization, structure and ownership as well as existing policies reflecting Paramount’s values.

The Committee has been diligent in its review of all current and proposed regulatory requirements and, in respect thereof, continues to monitor and update Paramount’s corporate governance practices. In this regard, reference should be made to the disclosure below and to the Board’s mandate which is set out in Schedule “A” to this Information Circular.

Statement of Corporate Governance Practices

Board of Directors

Disclose the identity of directors who are independent.

James Bell, Wilfred Gobert, John Gorman, Dirk Jungé, Robert MacDonald, Keith MacLeod and John Roy are independent as that term is defined in section 1.4 and 1.5 of National Instrument 52-110 - Audit Committees.

Disclose the identity of directors who are not independent and describe the basis for that determination.

James Riddell and Susan Riddell Rose are the members of Paramount's current Board who are not independent. James Riddell is not independent because he is the President and CEO of the Corporation. Susan Riddell Rose has a familial relationship with the President and CEO of the Corporation.

Disclose whether or not a majority of directors is independent. If a majority of directors is not independent, describe what the Board of Directors does to facilitate its exercise of independent judgment in carrying out its responsibilities.

A majority of the directors (7 of 9) are independent.

If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

Outside directorships of reporting issuers (or the equivalent) are disclosed under the section "Nominees for Election to the Board of Directors".

Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.

The Corporate Governance Committee is comprised of all of the independent directors. The Corporate Governance Committee meets at least semi-annually. The Corporate Governance Committee also meets on an ad hoc basis where circumstances warrant. Non-independent directors and members of management are not in attendance at these meetings. The Corporate Governance Committee met twice in 2018.

The Board has a policy requiring that an in-camera meeting of independent directors be held in connection with all Board and committee meetings.

Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.

James Riddell is the Chairman of Board and is not an independent director as he is the Corporation's President and CEO. As the Chairman is not an independent director, the Board has appointed John Gorman, an independent director, as Lead Director. The Lead Director is responsible for: (a) facilitating the functioning of the Board independent of management and ensuring that directors have an independent leadership contact; (b) ensuring that the Board has adequate resources, especially by way of full, timely and relevant information to support its decision-making requirements; (c) assisting and providing input to the Chairman on preparation of agendas for Board meetings as required; (d) consulting with the Chairman on the effectiveness of Board committees; (e) ensuring that independent directors have adequate opportunities to meet to discuss issues without management present; (f) chairing Board meetings when the Chairman is not in attendance; (g) ensuring delegated committee functions are carried out and reported to the Board, for example, the CEO performance assessment, CEO and Board succession planning, and strategic planning; and (h) acting as a liaison between the Board and management.

Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.

The attendance of each director at Board and committee meetings in 2018 is disclosed under the section "Nominees for Election to the Board of Directors."

Board Mandate

Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.

The Board has the responsibility to understand the principal risks of the business in which the Corporation is engaged and to ensure that there are appropriate systems in place to monitor and manage these risks. This oversight function is performed by the Board both directly and through its Compensation, Corporate Governance, Audit, Reserves and Environmental, Health and Safety Committees.

The complete text of the mandate of the Board is attached as Schedule "A" to this circular.

Position Descriptions

Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.

Written position descriptions have been developed for the Chairman, the Lead Director and for the Chair of each Board committee. The position descriptions for the Chairman and the Lead Director are available on the Corporation's website at www.paramountres.com.

Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.

A written position description has been developed for the CEO and CFO by the Corporate Governance Committee of the Board.

Orientation and Continuing Education

Briefly describe what measures the Board takes to orient new directors regarding the role of the Board, its committees and its directors, and the nature and operation of the issuer's business.

The Board has delegated to the Corporate Governance Committee the responsibility of ensuring there is in place an education and comprehensive orientation program for new members of the Board and a continuing education program for all directors. Under the guidance of the Lead Director, the Corporate Governance Committee has developed and maintains a Corporate Governance Manual to assist new and existing Board members in understanding the role of the Board, its committees and the contribution individual Board members are expected to make. The Corporate Governance Manual contains a historical profile of Paramount, a discussion on the nature and objectives of corporate governance, copies of all relevant corporate, board and committee policies, mandates and charters as well as reference material relating to the legal duties and obligations of a director in a publicly held company. New directors are made aware of the nature and operation of Paramount's business through interviews and meetings with the CEO, other directors, officers and management personnel during which they are briefed on Paramount and its business. If requested, an experienced director will be assigned to mentor and coach any new Board member during their initial months of service. In May and November each year, a comprehensive review of Paramount's operations is presented to the Board.

Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.

Directors are provided with any available information that will facilitate the maintenance of their industry knowledge and professional skills. Directors are regularly updated on the business operations of Paramount at Board meetings, particularly through the semi-annual sessions to review operations, and through regular communications from management. These updates are conducted by senior management and other invited Paramount employees and include discussions on strategic issues affecting Paramount and any other developments that could materially affect Paramount's business. Directors are also updated on developments in best corporate governance practices through reports from the Corporate Governance Committee. Significant developments in legislation, policy or case law are discussed at Board and applicable committee meetings. Directors are updated on changes to financial reporting requirements through presentations from management and Paramount's auditors, either at regularly scheduled Audit Committee meetings or at special meetings arranged for the Board for that purpose. Directors are invited to suggest to the Corporation other means of maintaining the skills and knowledge necessary for them to fulfill their responsibilities and steps are taken to implement such suggestions when feasible.

The Corporation uses a secure board portal to distribute information to the Board of Directors. Information on the board portal includes both current and historic board and committee meeting materials, minutes and resolutions, and the Corporate Governance Manual. All existing board members have received, and all new board members will receive, training on the use of the board portal.

Mr. Bell completed the Canadian Securities Course in January 2014 and the Partners, Directors and Senior Officers course in February 2014.

In 2017, Mr. MacLeod participated in the Director Education Program of the Institute of Corporate Directors.

Mr. Jungé attended the Kellogg Corporate Governance Conference (exclusively for experienced corporate directors) at Northwestern University in May 2015, and the National Association of Corporate Directors' Annual Global Forum in 2017. As a member of the National Association of Corporate Directors, Mr. Jungé received daily updates and participated in a number of webinars respecting board and governance matters in 2018.

In 2018, Mr. James Riddell participated in a two day course concerning project risk and uncertainty assessment.

Ethical Business Conduct

Disclose whether or not the Board has adopted a written code for the directors, officers and employees. If the Board has adopted a written code: (i) disclose how a person or company may obtain a copy of the code; (ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.

The Board has adopted a written Code of Business Conduct for all directors, officers, employees and consultants. There is also a written Code of Ethics for the CEO, CFO, Controller and any person performing similar functions. In addition, each director has a copy of the Corporate Governance Manual which sets out a standard of conduct expected of directors as does the Disclosure and Insider Trading Policy. The Board has also adopted a Whistleblower Policy.

The Code of Business Conduct, the Disclosure and Insider Trading Policy and the Whistleblower Policy are available to officers, employees and consultants on Paramount's intranet site. Additionally, the Code of Ethics, the Code of Business Conduct and the Whistleblower Policy are available on the Corporation's website at www.paramountres.com. The Code of Ethics and the Code of Business Conduct are also filed on SEDAR. Lastly, should anyone wish a hard copy of any of these policies, they may be obtained on request from the Corporate Secretary at 2800, 421 – 7th Avenue S.W., Calgary, Alberta T2P 4K9.

Compliance is monitored by the Audit Committee receiving, annually, certificates from Paramount's officers and senior management confirming their compliance with the Code of Business Conduct and where applicable, the Code of Ethics. The Audit Committee reviews the certifications and reports to the Board. In addition to the annual certification of the officers, each employee and consultant receives annually a communication from management or People Operations reiterating the need to comply with the Code of Business Conduct and reminding them that the Whistleblower Policy facilitates anonymous disclosure of any breach. The Corporation's website at www.paramountres.com contains directions outlining how anonymous reports may be made under the Whistleblower Policy and provides a link to a separate, stand alone website through which anonymous reports may be made.

No material change reports were filed by Paramount during 2018 relating to a director's or executive officer's departure from the Code of Business Conduct or the Code of Ethics.

Describe any steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

Directors must disclose all interests and relationships of which the director is aware which may give rise to a conflict of interest. Directors are also required to disclose any actual or potential personal interest in a matter on which the Board is making a decision and withdraw from deliberations and voting on the matter.

Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.

All directors, officers, employees and consultants are provided with a copy of the Code of Business Conduct which stresses that directors, officers, employees and consultants are expected and required to adhere to the highest ethical standards. Directors, officers, employees and consultants are reminded of their obligation to review and comply with the provisions of the Code of Business Conduct regularly. Officers certify that they understand the content and consequences of the Code of Business Conduct annually. The Whistleblower Policy facilitates anonymous disclosure of any ethical breach.

Nomination of Directors

Describe the process by which the Board identifies new candidates for Board nomination.

The Corporate Governance Committee is responsible for identifying new candidates for nomination to the Board and recommending them to the Board when appropriate. Upon there being a vacancy on the Board or a determination being made that the Board should be expanded, the CEO and the chair of the Corporate Governance Committee meet to review whether there are particular competencies needed by the Board and to set forth criteria in the selection process. Once a suitable candidate(s) is identified, the CEO and/or chair of the Committee meet with the nominee(s) to discuss his or her interest and ability to devote sufficient time and resources to the position. If the nominee agrees to the appointment or to stand for election, he or she is presented to the Corporate Governance Committee. If the proposed nominee is acceptable to the Corporate Governance Committee, the Corporate Governance Committee then makes a recommendation to the Board.

In 2009 the Corporate Governance Committee developed a flexible, phased-in director succession plan with the intent of replacing certain long-term directors who wished to retire. The plan has been revised as necessary to address changing circumstances and implemented.

Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.

The Corporate Governance Committee is composed entirely of independent directors and is charged with recommending new candidates for nomination to the Board.

If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

The Corporate Governance Committee is responsible for considering the appropriate size of the Board, establishing the criteria for Board membership, assessing the competencies and skills of each existing director and any new nominees with a view to achieving competencies and skills that the Board as a whole should possess, proposing candidates for election or re-election and ensuring there is an orientation program in place for new Board members and a continuing education program in place for all directors.

Compensation

Describe the process by which the Board determines the compensation for the issuer's directors and officers.

The Corporate Governance Committee periodically reviews the adequacy and form of compensation to directors to ensure that the level of compensation reflects the responsibilities and risks involved in being an effective director and reports and makes recommendations to the Board accordingly.

The Compensation Committee considers and, after reasonable consultation by the Chair of the Committee with all other independent directors of the Corporation, approves the annual salary, bonus and other benefits, direct and indirect, of the CEO and all other designated officers in the Corporation (in the latter case after considering the recommendations of the CEO), all in accordance with the Corporation's compensation policies and general human resources policies and guidelines concerning employee compensation and benefits, and with such compensation to realistically reflect the responsibilities and risks of such positions. See "*Compensation Discussion and Analysis*" for more detailed information respecting the determination of compensation of NEOs.

Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.

The Compensation Committee is composed entirely of independent members. James Bell (Chair), Wilfred Gobert and John Roy are the members of the Compensation Committee. The CEO's compensation must also be approved by the Compensation Committee, after consultation with all other independent directors.

If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

In addition to the functions described above, the Compensation Committee ensures that Paramount has programs in place to attract and develop management of the highest caliber and to ensure orderly succession of management; implements and administers compensation and general human resource policies and guidelines concerning executive compensation, contracts, stock option and other incentive plans, and proposed personnel changes involving officers reporting to the CEO; reviews the Corporation's policies and programs relating to benefits; receives the CEO's recommendations relating to annual compensation policies and budgets for all employees; reviews the Corporation's compensation policies, including assessing such policies to ensure they do not encourage excessive risk taking; and makes regular reports to the Board on the Committee's activities and findings.

Other Board Committees

If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

Paramount currently has five standing committees, namely, the Corporate Governance Committee, the Compensation Committee, the Audit Committee, the Reserves Committee and the Environmental, Health and Safety Committee. All are comprised entirely of independent directors except the Environmental, Health and Safety Committee which has a majority of independent directors.

The Corporate Governance Committee's mandate is to develop and monitor Paramount's overall approach to corporate governance, and subject to the approval of the Board, to implement and administer a system of corporate governance which reflects high standards of corporate governance practices. The Corporate Governance Committee advises the Board and its committees of any corporate governance issues requiring their consideration. These include issues relating to risk management. The Corporate Governance Committee conducts a periodic review of the principal risks associated with the Corporation's business and reports its findings to the Board. In addition, the Corporate Governance Committee is responsible for the nomination of new candidates for directors as well as director orientation and continuing education.

The main functions of the Compensation Committee are described under the section titled "*Compensation Governance*".

The Audit Committee's main functions are to assist the Board in the discharge of its responsibilities relating to accounting principles, reporting practices and internal controls as well as to oversee the work of the external auditors. In addition, the Audit Committee is responsible for identifying and monitoring the principal risks that could impact the financial reporting of the Corporation.

The overall purpose of the Reserves Committee is to review the Corporation's externally disclosed oil and gas reserves estimates including reviewing the qualifications of, and procedures used by, the independent engineering firm responsible for evaluating the Corporation's reserves. In addition, the Reserves Committee is responsible for, among other things, reviewing Paramount's procedures relating to the disclosure of information with respect to oil and gas activities, including its procedures for complying with the requirements of National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities.

The Environmental, Health and Safety Committee's mandate is to review and monitor the environmental, health and safety policies and activities of Paramount and its subsidiaries and to ensure that there are appropriate systems in place to manage the environmental, health and safety risks associated with the operations of the Corporation and its subsidiaries.

The written charters of each Committee of the Board are available on the Corporation's website at www.paramountres.com.

Assessments

Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.

The Board is responsible for making regular assessments of its effectiveness as well as the effectiveness and contribution of each Board committee and each individual director. The Corporate Governance Committee establishes and administers a process (including a review by the full Board and discussion with management) for assessing the effectiveness of the Board as a whole, each of the Board committees and individual directors. A Board assessment and evaluation questionnaire is included in the Corporate Governance Manual and each director, as part of the overall assessment process, completes a confidential questionnaire on an annual basis. This questionnaire asks directors to

evaluate, among other things: the size and structure of the Board and each of its committees; the knowledge, understanding and diversity of the directors; the effectiveness of the Chairman, the chair of each committee and the Lead Director; the effectiveness of each committee; preparation for meetings, including the setting of agendas and the adequacy and timeliness of information provided to the Board and committees; overall Board operations; and ability to function independently of management. The questionnaire also includes a peer-assessment whereby each director is asked to answer a series of questions evaluating the skills, performance and contributions of each of the other Board members. The Corporate Governance Committee analyzes the directors' responses to these questionnaires and presents them to the full Board each year.

In addition to the detailed evaluation and assessment mentioned above, each Board committee conducts regular reviews and assessments of its performance, including compliance with its charter and its role, duties and responsibilities and submits a report to the Board for consideration and recommendations.

Director Term Limits and Other Mechanisms of Board Renewal

Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board renewal and, if so, include a description of those director term limits or other mechanisms of board renewal. If the issuer has not adopted director term limits or other mechanisms of board renewal, disclose why it has not done so.

Paramount has not adopted formal term limits or a formal retirement policy for its directors. However, in 2009 the Corporate Governance Committee developed a flexible, phased-in director succession plan with the intent of replacing certain long-term directors who wished to retire. The plan has been revised as necessary to address changing circumstances and implemented.

The purpose of this succession planning has been to ensure that Paramount's Board at all times has the appropriate mix of skills, expertise and knowledge, and that ample time is available to identify qualified replacements for departing Board members. The Board feels that this plan has been a very effective mechanism for facilitating board renewal, and it is not currently contemplating imposing any formal director term limits. In fact, Paramount feels that the imposition of such limits could be counter-productive as it has been Paramount's experience that its directors become increasingly more effective, and better able to provide fresh insights and perspectives and to function independently from management, as they gain experience and a deeper understanding of Paramount's business and its strategic and operational objectives.

Board renewal is also facilitated through the previously discussed annual assessments of the Board, its committees, committee chairs and individual directors in which Board members evaluate each other and the Board as a whole in order to determine whether there are areas where the Board requires improvement.

Policies Regarding the Representation of Women on the Board

Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so.

The Board has not adopted a written policy relating to the identification and nomination of women directors, as it believes that the interests of Paramount and its shareholders are best served by ensuring that new directors are identified and selected from the widest possible group of potential candidates, without any restrictions or preferences relating to gender. The Board feels that having written policies governing the selection of Board nominees could unduly restrict the Board's ability to select the most capable candidates. Paramount is committed to ensuring that its Board at all times has the required range of skills, knowledge, experience and perspectives to provide the strategic direction and leadership necessary for Paramount to achieve its business objectives.

If an issuer has adopted a policy referred to in (a), disclose the following in respect of the policy: (i) a short summary of its objectives and key provisions, (ii) the measures taken to ensure that the policy has been effectively implemented, (iii) annual and cumulative progress by the issuer in achieving the objectives of the policy, and (iv) whether and, if so, how the board or its nominating committee measures the effectiveness of the policy.

See above.

Consideration of the Representation of Women in the Director Identification and Selection Process

Disclose whether, and, if so, how the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. If the issuer does not consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board, disclose the issuer's reasons for not doing so.

Given Paramount's belief that candidates for directors should be identified and selected from the widest possible group of qualified individuals, the level of representation of women on the Board is not considered in identifying and nominating candidates for election or re-election to the Board.

Consideration Given to the Representation of Women in Executive Officer Appointments

Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer positions when making executive officer appointments, disclose the issuer's reasons for not doing so.

Paramount's position with respect to the representation of women in executive officer positions is the same as its position with respect to the representation of women on the Board. It believes that people should be hired and promoted based on their professional qualifications, accomplishments and merit. Accordingly, the level of representation of women in executive officer positions is not considered in making executive officer appointments.

Issuer's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

For purposes of this Item, a "target" means a number or percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer's board or in executive officer positions of the issuer by a specific date.

Disclose whether the issuer has adopted a target regarding women on the issuer's board. If the issuer has not adopted a target, disclose why it has not done so.

The Board has not adopted a target regarding women on the Board or in executive officer positions for the reasons set out above. The Board feels that adopting such a target could unduly restrict Paramount's ability to identify and select the most qualified people.

Disclose whether the issuer has adopted a target regarding women in executive officer positions of the issuer. If the issuer has not adopted a target, disclose why it has not done so.

See above.

Number of Women on the Board and in Executive Officer Positions

Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women.

Paramount has one female Board member. This represents 11.1% of Paramount's current Board.

Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women.

Paramount currently has no executive officers who are women.

SCHEDULE "A" – BOARD OF DIRECTORS MANDATE

The Board of Directors' Mandate was adopted by the Board on May 19, 2005. The Mandate is set out in its entirety below.

A. Introduction

The Board of Directors (the "Board") has the responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management, which is responsible for the day-to-day conduct of the business. The Board's fundamental objectives are to enhance and preserve long term Shareholder value, to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board should also consider the legitimate interests its other stakeholders such as employees, customers and communities may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chairman and President & Chief Executive Officer, shall set the standards of conduct for the Corporation.

B. Procedures and Organization

The Board operates by delegating certain of its powers to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chair, nominating candidates for election to the Board, constituting committees of the Board and determining Director compensation. Subject to the Articles and By-Laws of the Corporation and the Business Corporations Act, Alberta (the "Act"), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

C. Duties and Responsibilities

The Board's principal duties and responsibilities fall into a number of categories which are outlined below.

1. Legal Requirements
 - (a) The Board has the responsibility to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained;
 - (b) The Board has the statutory responsibility to:
 - (i) manage the business and affairs of the Corporation;
 - (ii) act honestly and in good faith with a view to the best interests of the Corporation;
 - (iii) exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances; and
 - (iv) act in accordance with its obligations contained in the Business Corporations Act, Alberta and the regulations thereto, the Corporation's Articles and By-Laws, securities legislation of each province and territory of Canada, and other relevant legislation and regulations;
 - (c) The Board has the statutory responsibility for considering the following matters as a full Board which in law may not be delegated to management or to a committee of the Board:
 - (i) any submission to the shareholders of a question or matter requiring the approval of the shareholders;
 - (ii) the filling of a vacancy among the directors or in the office of auditor;
 - (iii) the issuance of securities;
 - (iv) the declaration of dividends;
 - (v) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;
 - (vi) the payment of a commission to any person in consideration of his/her purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;

- (vii) the approval of management proxy circulars;
- (viii) the approval of the annual financial statements of the Corporation, MD&A and AIF; and
- (ix) the adoption, amendment or repeal of By-Laws of the Corporation.

2. Independence

The Board has the responsibility to ensure that appropriate structures and procedures are in place to facilitate the Board to function independently of management. In this regard, the Board shall consist of a majority of "independent directors"¹, as that term is defined in Section 1.4 of Multilateral Instrument 52-110, Audit Committee or such guidelines as may hereafter replace the same. The independent board members should hold separate, regularly scheduled meetings at which members of management are not in attendance. In as much as the chair of the Board of Paramount Resources Ltd. is not independent, an independent director has been appointed as "lead director."

3. Strategy Determination

The Board has the responsibility to ensure there are long term goals and a strategic planning process in place for the Corporation and to participate with management directly or through its committees in developing and approving, as required, the mission of the business of the Corporation and the strategic plan by which it proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of the Corporation's business.

4. Managing Risk

The Board has the responsibility to understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to ensure that there are appropriate systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

5. Division of Responsibilities

The Board has the responsibility to:

- (a) appoint and delegate responsibilities to committees where appropriate to do so; and
- (b) develop position descriptions for:
 - (i) the Chairman;
 - (ii) the lead director;
 - (iii) the President and Chief Executive Officer; and
 - (iv) the Chief Financial Officer.

6. Appointment, Training and Monitoring Senior Management

The Board has the responsibility to:

- (a) appoint the Chief Executive Officer, to monitor and assess the Chief Executive Officer's performance, to determine and approve the Chief Executive Officer's compensation, and to provide advice and counsel in the execution of the Chief Executive Officer's duties;
- (b) approve the appointment and remuneration of all other designated corporate officers, acting upon the advice of the Chief Executive Officer;
- (c) the extent feasible, to satisfy itself as to the integrity of the Chief Executive Officer and other corporate officers and that the Chief Executive Officer and other corporate officers create a culture of integrity throughout the organization;

¹ Definitions have been omitted.

- (d) ensure that adequate provision has been made to train and develop management and for the orderly succession of management; and
- (e) ensure that management is aware of the Board's expectations of management.

7. Policies, Procedures and Compliance

The Board has the responsibility to:

- (a) ensure that the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards;
- (b) approve and monitor compliance with significant policies and procedures by which the Corporation is operated;
- (c) ensure the Corporation sets high environmental standards in its operations and is in compliance with environmental laws and legislation; and
- (d) ensure the Corporation has in place appropriate programs and policies for the health and safety of its employees in the workplace.

8. Reporting and Communication

The Board has the responsibility to:

- (a) ensure the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;
- (b) ensure that the financial performance of the Corporation is adequately reported to shareholders, other securityholders and regulators on a timely and regular basis;
- (c) ensure that the financial results are reported fairly and in accordance with generally accepted accounting standards;
- (d) ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation;
- (e) report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year; and
- (f) develop appropriate measures for receiving shareholder feedback.

9. Monitoring and Acting

The Board has the responsibility to:

- (a) monitor the Corporation's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;
- (b) take action when performance falls short of its goals and objectives or when other special circumstances warrant;
- (c) ensure that the Corporation has implemented adequate internal control and management information systems which ensure the effective discharge of its responsibilities; and
- (d) make regular assessments of the Board's effectiveness, as well as the effectiveness and contribution of each Board Committee. This responsibility has been delegated to the Corporate Governance Committee working in conjunction with the Chairman.