Paramount
resources ltd.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

An annual general meeting (the "Meeting") of the shareholders of Paramount Resources Ltd. (the "Corporation" or "Paramount") will be held in the Conference Center at Centrium Place, 332-6th Avenue S.W., Calgary, Alberta, on Wednesday, May 9, 2012, 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, 2011, and the independent auditors' report thereon;
2. elect the directors of the Corporation;
3. appoint the auditors of the Corporation;
4. approve unallocated options under Paramount's Stock Option Plan; and
5. 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

"E. Mitchell Shier" (signed)
Corporate Secretary

Calgary, Alberta, Canada
March 8, 2012

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GENERAL INFORMATION

Annual Meeting Date

Paramount Resources Ltd. (the "Corporation" or "Paramount") will be holding an annual general meeting (the "Meeting") of its holders ("Shareholders") of Class A Common Shares ("Common Shares") on May 9, 2012 at 10:30 a.m. (Calgary time) in the Conference Center at Centrium Place, 332-6th Avenue S.W., Calgary, Alberta.

Date of Information

Information in this circular is given as of March 8, 2012, unless otherwise noted.

Voting Shares and Principal Holders

On March 8, 2012, Paramount had 85,569,174 issued and outstanding Common Shares. Paramount's 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 person that held 10% or more of the Common Shares as at March 8, 2012 was Mr. Clayton Riddell, Paramount's Chairman and Chief Executive Officer ("CEO"), who beneficially owned or controlled, directly or indirectly, approximately forty-three percent (43%) of the Common Shares as of such date.

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 latest annual information form dated March 6, 2012, 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 is provided in Paramount's comparative annual financial statements and management's discussion and analysis thereon for the most recently completed financial year.

Paramount will provide, without charge to a securityholder, a copy of Paramount's annual information form dated March 6, 2012, Paramount's 2011 annual report containing the consolidated comparative financial statements for fiscal 2011 together with the independent auditors' report thereon and management's discussion and analysis, interim financial statements for subsequent periods, and this information circular upon request to the Corporate Secretary at the address below.

Contact Information

Head Office:	4700 Bankers Hall West 888 - 3rd Street SW Calgary, Alberta, Canada T2P 5C5
Attention:	Corporate Secretary
Telephone:	403-290-3600
Facsimile:	403-262-7994
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, fax, 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 hold Common Shares at the close of business on March 26, 2012, you are entitled to receive notice of, and to attend and vote at the Meeting. You will be entitled to vote your Common Shares at the Meeting except to the extent that:

a. you have transferred the ownership of any such Common Shares after the record date; and

b. the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes that they own the Common Shares and demands not later than ten days before the Meeting that their name be included on the list, in which case the transferee is entitled to vote those Common Shares at the Meeting.

When any Common Shares are held jointly by two or more persons, any one of such persons may vote such Common Shares or both of them shall vote such Common Shares as one at the Meeting, whether in person or by proxy.

Each Common Share is entitled to one vote. A simple majority of votes (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 own or represent at least 5% 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. Clayton H. Riddell of Calgary, Alberta, or failing him, Mr. James H.T. Riddell 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 management nominees as directors	FOR
Appointment of auditors	FOR
Approval of unallocated options under Paramount's Stock Option Plan	FOR

Amendments or Other Matters
At the time of printing this circular, management does not know of any amendment, variation or matter to come before the Meeting other than the matters referred to above. If other 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 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 directors 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 4700, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5, 403-262-7994 (facsimile) 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 7, 2012 or, if the Meeting is adjourned, at least 48 hours (excluding weekends and holidays) before the time set for the Meeting to resume. 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 same 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 (deposited with a bank, securities broker 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 by providing voting instructions to the registered holder of your Common Shares via mail, telephone or internet. For further instructions, see the enclosed voting instruction form.

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 form and follow the applicable instructions on the voting instruction 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 policy requires intermediaries/brokers to seek voting instructions from beneficial Shareholders in advance of Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to its clients. These instructions must be carefully followed by beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Services, Inc. ("Broadridge"). Broadridge typically mails a scannable voting instruction form in lieu of the form of proxy. The beneficial Shareholder is requested to complete and return the voting instruction form to Broadridge by mail or facsimile, or alternatively, to vote via the internet or by calling a toll-free telephone number to convey his or her voting instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions to Computershare Trust Company of Canada respecting the voting of Common Shares to be represented at the Meeting. **A beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Common Shares directly at the Meeting as the voting instruction form must be returned as directed by Broadridge or the nominee well in advance of the Meeting in order to have the Common Shares voted.**

BUSINESS OF THE MEETING

Financial Statements

Paramount's consolidated financial statements as at and for the year ended December 31, 2011 and the auditors' report thereon are in the 2011 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 shall consist of a minimum of three and a maximum of 12 directors. By resolution on March 6, 2012, the Board fixed the number of directors to be elected at the Meeting at eleven, each of whom will serve until the next annual meeting of Shareholders or until their respective successors are elected or appointed. The eleven nominees are:

Clayton Riddell	James Bell	David Knott
Violet Riddell	Thomas Claugus	John Roy
James Riddell	John Gorman	Bernhard Wylie
Susan Riddell Rose	Dirk Jungé	

All director nominees have consented to being named in this circular and to serve as directors if elected. 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 discretion in voting for another nominee unless you have specified in the proxy that the proxy is without authority to vote on the election.

The directors named in the enclosed proxy will vote FOR the election of these nominees as directors of Paramount unless you indicate that authority to do so is withheld.

Appointment of Auditors

Unless authority is withheld, the directors named in the enclosed proxy will vote FOR the reappointment of Ernst & Young LLP, Chartered Accountants, 1000 Ernst & Young Tower, 440 Second Avenue S.W., Calgary, Alberta T2P 5E9, as auditors of the Corporation to hold office until the next annual meeting of Shareholders. Ernst & Young LLP has 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 annual information form dated March 6, 2012 for the 2011 fiscal year under the heading "Audit Committee Information" and in Appendix D to the annual information form.

Approval of Unallocated Options under Paramount's Stock Option Plan

Paramount's Stock Option Plan (the "Option Plan") was converted from a fixed number stock option plan to a "rolling" option plan (i.e. having a fixed percentage of 10% of Paramount's issued and outstanding Common Shares being available for issuance under options granted) at the annual and special meeting of Shareholders held on May 10, 2006. Details of the Option Plan are described in the sections titled "COMPENSATION DISCUSSION AND ANALYSIS" and "INCENTIVE PLANS".

Allocated options are those options which have been granted and are outstanding under the Option Plan. Unallocated options refer to those options which are available for grant under the Option Plan.

As at March 8, 2012, Paramount had allocated options to purchase 5,667,950 Common Shares (approximately 6.6% of the outstanding Common Shares) under the Option Plan, leaving unallocated options to purchase an aggregate of 2,888,967 Common Shares (approximately 3.4% of the outstanding Common Shares) available for future grants based on the number of outstanding Common Shares as of such date.

Section 613(a) of the TSX Company Manual provides that every three years after the institution of a security-based compensation arrangement which does not have a fixed maximum number of securities issuable under it, all unallocated rights, options or other entitlements under such security-based compensation arrangement must be approved by a majority of the issuer's directors and by the issuer's shareholders. As the Option Plan is a security-based compensation arrangement and as the maximum number of Common Shares issuable under the Option Plan is a percentage, i.e. 10% of the issued and outstanding Common Shares from time to time as opposed to a fixed number of Common Shares, approval of the unallocated options under the Option Plan is being sought at the Meeting.

If Shareholder approval is obtained at the Meeting, pursuant to the requirements of the TSX, Paramount will not be required to seek further approval of the grant of unallocated options under the Option Plan until May 9, 2015.

If Shareholder approval is not obtained at the Meeting, options which have not been allocated as of May 9, 2012 and options which are outstanding and which are subsequently cancelled, terminated or exercised will not be available for a new grant of options under the Option Plan. Previously allocated options will continue to be unaffected by the approval or disapproval of the unallocated options.

The Board has approved the unallocated options under the Option Plan subject to regulatory and Shareholder approval.

At the Meeting, Shareholders will be asked to consider, and if thought advisable, pass an ordinary resolution to approve the unallocated options as follows:

> "Be it resolved as an ordinary resolution that:
>
> 1. all unallocated options under Paramount's Stock Option Plan, as amended from time to time, are hereby approved and authorized until May 9, 2015; and
> 2. any officer or director of Paramount is authorized, in the name and on behalf of Paramount, to do all such things and execute all such documents as may be necessary or advisable to implement this resolution."

In order for the resolution set out above to be passed, it must be approved by a simple majority of the votes cast by Shareholders in person or represented by proxy at the Meeting. Management recommends voting FOR the resolution.

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 circular is attached. If any matters which are not known at the time of the 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 director nominees.

Clayton Riddell[1]

Calgary, Alberta, Canada
Chairman and CEO
Paramount Resources Ltd.
Non-Independent Director
Director Since: 1978

Mr. Riddell has been the Chairman of the Board, CEO, and a director of Paramount since 1978. Until June 2002 he was also the President. He is the Executive Chairman of the Board of Perpetual Energy Inc. (a public natural gas exploration and development company), the successor to Paramount Energy Trust. Mr. Riddell is the Chairman of the Board of Trilogy Energy Corp. (a public oil and gas exploration and development company), the successor to Trilogy Energy Trust. He is also a director and the CEO of MGM Energy Corp. (a public oil and gas exploration company). Finally, Mr. Riddell is a director of Alaris Royalty Corp. (a Canadian public company that provides alternative financing to private businesses) and a director of Tourmaline Oil Corp. (a public oil and gas exploration and production company).

Mr. Riddell graduated from the University of Manitoba with a Bachelor of Science (Honours) degree in Geology and is currently a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta, the Canadian Society of Petroleum Geologists, and the American Association of Petroleum Geologists. He received the J.C. Sproule Memorial Plaque from the Canadian Institute of Mining (1994), the Stanley Slipper Gold Medal from the Canadian Society of Petroleum Geologists (1999), an Honorary Doctor of Science degree from the University of Manitoba (2004), and an Outstanding Explorer award from the American Association of Petroleum Geologists (2004). In 2006, Mr. Riddell was inducted into the Calgary Business Hall of Fame and in 2008 he was made an Officer of the Order of Canada.

Paramount Board / Committee Participation	**Fiscal 2011 Meeting Attendance**	
Board of Directors	7/7	100%
Compensation Committee (Chair)	1/1	100%

Paramount Holdings	**Other Public Board Directorships**
Common Shares: 36,974,297 [2]	Alaris Royalty Corp.
Options: 900,000	MGM Energy Corp.
	Perpetual Energy Inc.
	Tourmaline Oil Corp.
	Trilogy Energy Corp.

James Riddell[1][3]

Calgary, Alberta, Canada
President and Chief Operating Officer
Paramount Resources Ltd.
Non-Independent Director
Director Since: 2000

Mr. Riddell has been the President and Chief Operating Officer ("President") of Paramount since June 2002, and a director since 2000. From May 1991 until June 2002, he held various positions at Paramount. Mr. Riddell is a director and the CEO of Trilogy Energy Corp. (a public oil and gas exploration and development company), the successor to Trilogy Energy Trust. Mr. Riddell is also a director of MGM Energy Corp. (a public oil and gas exploration company), Big Rock Brewery Inc. (a public company which produces and markets beer), DevCorp Capital Inc. (a capital pool company) and Sonde Resources Corp. (a public oil and gas exploration and development company).

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 and is currently a member of the Canadian Society of Petroleum Geologists, and the American Association of Petroleum Geologists.

Paramount Board / Committee Participation	**Fiscal 2011 Meeting Attendance**	
Board of Directors	7/7	100%

Paramount Holdings	**Other Public Board Directorships**
Common Shares: 178,214	Big Rock Brewery Inc.
Options: 1,330,000	DevCorp Capital Inc.
	MGM Energy Corp.
	Sonde Resources Corp.
	Trilogy Energy Corp.

Violet Riddell[1]

Calgary, Alberta, Canada
Business Executive
Non-Independent Director
Director Since: 1978

Ms. Riddell has been a director of Paramount since 1978.

Paramount Board / Committee Participation	Fiscal 2011 Meeting Attendance	
Board of Directors	7/7	100%

Paramount Holdings
Common Shares: 703,401
Options: 41,000

Other Public Board Directorships
None

John Gorman

Calgary, Alberta, Canada
Retired
Independent Director[4]
Director Since: 2002

Mr. Gorman has been a director of Paramount since 2002. Prior to his retirement in 2000, 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.

Paramount Board / Committee Participation	Fiscal 2011 Meeting Attendance	
Board of Directors	7/7	100%
Audit Committee (Chair)	4/4	100%
Corporate Governance Committee	2/2	100%
Compensation Committee	1/1	100%

Paramount Holdings
Common Shares: 10,001
Options: 29,500

Other Public Board Directorships
None

Dirk Jungé, CFA

Bryn Athyn, Pennsylvania, U.S.A.
Chairman and CEO
Pitcairn Trust Company
Independent Director[4]
Director Since: 2000

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 the present. 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 and the Association for Investment Management and Research.

Paramount Board / Committee Participation	Fiscal 2011 Meeting Attendance	
Board of Directors	7/7	100%
Corporate Governance Committee	2/2	100%
Environmental Health and Safety Committee	2/2	100%

Paramount Holdings
Common Shares: 48,173 [5]
Options: 29,500

Other Public Board Directorships
None

David Knott[1]

Syosset, New York, U.S.A.
Managing General Partner
Knott Partners, L.P.
Independent Director[4]
Director Since: 1998

Mr. Knott has been a director of Paramount since 1998. He has been the Managing General Partner of Knott Partners, L.P. (a private investment firm) and the CEO of Dorset Management Corp. (a private investment firm) since 1987. Mr. Knott is also a trustee of several philanthropic organizations.

Mr. Knott graduated from the University of Pennsylvania with a Bachelor of Arts degree in Political Science and a Master of Business Administration degree in finance from the University of Pennsylvania's Wharton School.

Paramount Board / Committee Participation	Fiscal 2011 Meeting Attendance	
Board of Directors	5/7	71%
Corporate Governance Committee	2/2	100%

Paramount Holdings
Common Shares: 1,183,301
Options: 41,000

Other Public Board Directorships
Ligand Pharmaceuticals Inc.
Rubicon Limited

Susan Riddell Rose[1]

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

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 natural gas exploration and development company) and its predecessor, Paramount Energy Trust. Prior thereto, Ms. Riddell Rose was a geologist and Corporate Operating Officer of Paramount and prior to that, a geological engineer with Shell Canada Limited (a public oil and gas exploration and development company). Ms. Riddell Rose is also a director of Newalta Corporation (a public industrial waste management and environmental services company).

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, Geologists and Geophysicists of Alberta, the Canadian Society of Petroleum Geologists, and the American Association of Petroleum Geologists, and a past governor of the Canadian Association of Petroleum Producers.

Paramount Board / Committee Participation	Fiscal 2011 Meeting Attendance	
Board of Directors	7/7	100%

Paramount Holdings	Other Public Board Directorships
Common Shares: 169,012	Newalta Corporation
Options: 41,000	Perpetual Energy Inc.

John Roy[1]

Calgary, Alberta, Canada
Independent Businessman
Independent and Lead Director[4]
Director Since: 1981

Mr. Roy has been a director of Paramount since 1981 and is currently the Lead Director. 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, Geologists and Geophysicists of Alberta.

Paramount Board / Committee Participation	Fiscal 2011 Meeting Attendance	
Board of Directors	7/7	100%
Audit Committee	4/4	100%
Compensation Committee	1/1	100%
Corporate Governance Committee (Chair)	2/2	100%
Environmental Health & Safety Committee	2/2	100%

Paramount Holdings	Other Public Board Directorships
Common Shares: 38,901	None
Options: 41,000	

Bernhard Wylie[1]

Calgary, Alberta, Canada
Business Executive
Non-independent Director
Director Since: 1978

Mr. Wylie has been a director of Paramount since 1978 and was Executive Vice President and Vice President, Land until 1996. Since his retirement in 1996, he has provided certain consulting services to Paramount.

Mr. Wylie graduated from the University of California, Berkeley, with a Bachelor of Arts degree. Mr. Wylie is a member of the American Association of Professional Landmen and the Canadian Association of Professional Landmen.

Paramount Board / Committee Participation	Fiscal 2011 Meeting Attendance	
Board of Directors	7/7	100%
Environmental Health & Safety Committee (Chair)	1/2	50%

Paramount Holdings	Other Public Board Directorships
Common Shares: 10,389	None
Options: 24,000	

Thomas Claugus

Atlanta, Georgia, U.S.A.
President
GMT Capital Corp.
Independent Director[(4)]
Director Since: 2010

Mr. Claugus has been a director of Paramount since 2010. He is the President and majority shareholder of GMT Capital Corp. (a private investment company) which he founded in 1990. Prior to 1990, he served 17 years in various managerial capacities with Rohm and Haas Company (a publicly traded specialty chemical manufacturer), culminating in his position as Manager for Europe of the Polymers Division of Rohm and Haas.

Mr. Claugus graduated with a Bachelor of Chemical Engineering degree, summa cum laude, from Ohio State University in 1973. In 1975, he entered Harvard Business School and graduated with a Master of Business Administration degree, with high distinction, in 1977.

Paramount Board / Committee Participation	**Fiscal 2011 Meeting Attendance**	
Board of Directors	6/7	86%
Corporate Governance Committee	2/2	100%

Paramount Holdings	**Other Public Board Directorships**
Common Shares: 8,344,000 [(6)]	Strategic Oil & Gas Ltd.
Options: 34,000	

James Bell

Calgary, Alberta, Canada
General Counsel
Olympia Trust Company
Independent Director[(4)]
Director Since: 2011

Mr. Bell has been a director of Paramount since November, 2011. Mr. Bell is currently General Counsel for Olympia Financial Group Inc. (a public 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 Davis LLP (an international law firm) until December 31, 2009. Mr. Bell has acted as legal counsel in connection with private placements, prospectus offerings, take-over bids, plans of arrangement and general securities and corporate finance matters.

Mr. Bell graduated from the University of Saskatchewan with a Bachelor of Laws degree in 1999.

Paramount Board / Committee Participation	**Fiscal 2011 Meeting Attendance**
Board of Directors[(7)]	N/A
Corporate Governance Committee[(7)]	N/A
Audit Committee[(7)]	N/A

Paramount Holdings	**Other Public Board Directorships**
Common Shares: Nil	None
Options: 26,000	

Notes:

(1) From 1992 to 2008, Paramount was the general partner of T.T.Y. Paramount Partnership No. 5 ("TTY"), a limited partnership, which was an unlisted reporting issuer in certain provinces of Canada. TTY was established in 1980 to conduct oil and gas exploration and development activities but had not carried on active operations since 1984 and had only nominal assets. A cease trade order against TTY was issued by the Quebec Securities Commission in 1999 for failing to file the June 30, 1998 interim financial statements in Quebec. The cease trade order was revoked on April 9, 2008. TTY was dissolved on July 21, 2008.

(2) 24,246,400 Common Shares are held by Warner Investment Holdings Ltd., 10,378,270 are held by Dreamworks Investment Holdings Ltd., and 2,313,600 are held by Treherne Resources Ltd., in all of which Mr. Clayton Riddell is the controlling shareholder. Mr. Clayton Riddell holds 36,027 Common Shares directly. The Riddell Family Charitable Foundation holds 1,500,700 Common Shares. The Common Shares held by the Riddell Family Charitable Foundation have not been included in Mr. Clayton Riddell's holdings as they are not beneficially owned or controlled by him.

(3) Mr. James Riddell was a director of Jurassic Oil and Gas Ltd., a private oil and gas company, within one year of such company becoming bankrupt.

(4) 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.

(5) Mr. Jungé is Chairman and CEO of Pitcairn Trust Company that owns, in a fiduciary capacity as trustee or investment advisor for clients, 60,336 Common Shares of Paramount. 5,871 Common Shares are owned by trusts for which Mr. Jungė serves as a co-trustee, and 48,173 are beneficially owned, directly or indirectly, by Mr. Jungé.

(6) Mr. Claugus is the President of GMT Capital Corp., a private investment company that owns 8,344,000 Common Shares through various partnerships and funds which Mr. Claugus controls. 196,200 of such Common Shares are beneficially owned, directly or indirectly, by Mr. Claugus.

(7) Mr. Bell was appointed to Paramount's Board on November 9, 2011 in accordance with Paramount's articles and accordingly was not eligible to attend Paramount's Board meetings in 2011. The Audit Committee and the Corporate Governance Committee did not hold any meetings from November 9, 2011 to December 31, 2011.

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

COMPENSATION DISCUSSION AND ANALYSIS

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 named executive officers (hereinafter "NEOs"), being the Corporation's CEO, President, Chief Financial Officer and next two highest paid executive officers, is built around base salaries and reward systems that recognize Paramount's financial and operational results and individual performance. Currently, three primary components comprise the compensation program: base salary, bonuses (Stock Incentive Program ("SIP") awards and cash bonuses) and long term incentives (in the form of periodic stock option grants). Each of these components is discussed in more detail below. Paramount does not currently anticipate making any significant changes to its compensation policies and practices in the next financial year.

Base Salary

Paramount considers a base salary an important component of a NEO's compensation. The objective of a NEO's base salary is to provide a fixed level of cash compensation for performing day-to-day responsibilities. The base salary paid to NEOs is designed to ensure that Paramount attracts and retains high-performing employees capable of achieving Paramount's strategic business objectives. These objectives include improving Paramount's overall asset and investment portfolio and increasing Shareholder returns. Paramount's philosophy with respect to base salaries is to be competitive within the industry but not to be tied to a particular industry average or percentile. As a result, Paramount is able to be flexible in fixing base salaries to attract and retain NEOs of the highest caliber.

Paramount relies on the expertise and experience of its Compensation Committee as well as annual comparative compensation data received through its participation in the Mercer Human Resource Consulting Ltd. compensation survey (the "Mercer Survey") in determining annual base salaries for NEOs. The Mercer Survey provides detailed comparative compensation information across the Canadian oil and gas industry. The survey shows salary ranges based on criteria such as education, areas of expertise, specific job descriptions, years of service, previous employment background and type and size of company. NEOs salaries are reviewed and compared to peers at similar-sized Canadian oil and gas companies that participate in the Mercer Survey. In particular, Paramount uses the "Energy Sector" and "Exploration & Production" industry segment. The Energy Sector is comprised of approximately 200 participants and the Exploration & Production segment is comprised of approximately 100 participants. The data in the Mercer Survey provides a general guide for the CEO, President, and Compensation Committee in setting the NEOs' base salaries.

In the case of the NEOs other than the CEO and President, Paramount's Manager of Human Resources provides the President with the relevant Mercer Survey data which the President utilizes, together with other information pertaining to the NEOs, including their individual job performance, expertise, education, years of service, among others, to formulate annual base salary recommendations for the Compensation Committee to consider and approve. With respect to the base salary for the President, Paramount's Manager of Human Resources provides the CEO with the Mercer Survey information applicable to presidents of similarly-sized oil and gas companies which the CEO utilizes, together with other information pertaining to the President, including his job performance, to determine an annual salary recommendation which is presented to the Compensation Committee for their consideration and approval. The Compensation Committee recommends to the Board the annual base salary of the CEO using the information from the Mercer Survey applicable to CEOs, and having regard to such other factors as they consider relevant. Other than subscribing to the Mercer Survey, Paramount has not engaged compensation consultants or advisors.

Stock and Cash Bonuses

SIP Awards

The objective of the SIP is to reward NEOs who have met or exceeded their goals and contributed to the financial and operational success of Paramount and to encourage them to have a long term investment in Paramount's Common Shares. SIP grants are in the form of entitlements to Common Shares ("share units"), one-third of which vest immediately, one-third of which vest on the first anniversary of the grant and the final one-third of which vest on the second anniversary of the grant (with the exception of SIP grants to the CEO and President which vest immediately). As the value of the Common Shares increases, the value of the share units also increases, thereby aligning NEOs' interests with those of Paramount's Shareholders. The SIP awards are the primary annual incentives granted to NEOs. SIP awards, with their delayed vesting schedule, serve to ensure that employees do not undertake actions which would provide short term gain at the expense of longer term Shareholder interests.

SIP awards are made annually at the discretion of the CEO, subject to corporate and individual performance targets being met. The SIP target for NEOs, other than the CEO and President, is approximately 30% of the NEOs base salary, approximately twothirds of which is based on individual performance targets being met and approximately one-third of which is based on corporate performance targets being met. Corporate performance targets are established annually by the CEO and include a combination of annual production, production exit rates, operating costs, finding and development costs and capital spending targets for each operating area, with an equal emphasis being placed on each of these components. Individual performance targets are based on factors such as job performance and individual contribution to Paramount's overall financial and operational success as assessed under an informal performance appraisal process. The amount of a NEO's SIP award granted in a given year is dependent on the extent to which corporate and/or individual targets have been met. The SIP award granted to the President and CEO is at the discretion of the Compensation Committee and Board of Directors, respectively.

Cash Bonuses
From time to time, Paramount rewards its top-performing NEOs with a cash bonus. A cash bonus, if paid, is determined by the CEO (except for cash bonuses for the CEO and President which are determined and/or approved by the Compensation Committee or Board). A cash bonus is intended to reward individuals who have made a material contribution to the achievement of corporate financial and operational performance in the previous fiscal year and who have, in such period, played a major role in the successful completion of major projects and transactions that will have a meaningful impact on Paramount's goal of long term value creation. Cash bonuses are extraordinary awards and are not considered to be a primary component of Paramount's compensation program.

Stock Option Grants

The intent of the Option Plan is to recognize those NEOs who are responsible for Paramount's management and growth and to directly align long term NEO compensation with the creation of Shareholder value. Paramount believes that granting options with vesting schedules of five years helps incentivize long term corporate value creation, vision and stewardship. Option grants pursuant to the Option Plan comprise the primary long term compensation strategy at Paramount.

NEOs are eligible for grants of options when they commence employment with Paramount and thereafter on an annual basis. Options vest in equal tranches each successive year over a five year vesting schedule and expire six months after the last vesting date. The Compensation Committee considers and approves option grants to the NEOs (other than to the President and CEO) based on recommendations from the President. The Compensation Committee also determines and approves the option grants to the President, and recommends to the Board, for its consideration and approval, the option grants that it believes should be made to the CEO. The factors that are taken into account in granting options to the NEOs include: experience, responsibilities, individual and corporate performance, size of prior option grants and other compensation received by the NEO and, in the case of the President and CEO, their management expertise and leadership qualities.

In November 2011, Paramount reorganized all of its oil sands and bitumen interests into a new wholly-owned subsidiary, Cavalier Energy Inc. ("Cavalier"). The reorganization was undertaken to create a self-funding oil sands entity. Certain of the NEOs are also officers of Cavalier and have been granted options of Cavalier under Cavalier's option plan (the "Cavalier Option Plan"). Such NEOs receive no other compensation from Cavalier. Cavalier's Option Plan is substantively similar to Paramount's Option Plan. Cavalier's Option Plan, like Paramount's Option Plan, is designed to recognize those who are responsible for Cavalier's management and growth and to directly align long term compensation with value creation. To date, options granted under Cavalier's Option Plan vest in equal tranches each successive year over four or five year vesting schedules and have a seven year term.

Risk Oversight in Relation to Compensation Policies and Practices

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

Base Salary
Paramount's Compensation Committee has determined that Paramount's salary program does not encourage NEOs to take inappropriate or excessive risks 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, with the Compensation Committee, or the Board in the case of the CEO, having the discretion to grant more significant increases based on exceptional performance.
- In most cases, severance is based on common law principles and no excessive severance or change of control arrangements are in place. 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.

SIP Awards

The Compensation Committee reviewed the SIP and believes that the SIP and SIP awards should not encourage inappropriate or excessive risk taking for the following reasons:

- Paramount's SIP awards are variable at-risk components of compensation and unlike traditional annual cash bonuses, SIP awards are share awards. This encourages an ownership mentality among all employees.
- The SIP's delayed vesting provisions (three tranches over two years), which have no counterpart in the annual cash bonus programs used by many of Paramount's peers, encourage a focus on long term value creation. These delayed vesting provisions apply to all eligible employees other than the CEO and President (who are excluded because of their significant equity positions in Paramount, which achieves the same result).

Cash Bonuses

The Compensation Committee has concluded that Paramount's discretionary cash bonuses should not encourage excessive risk taking by NEOs for the reasons below:

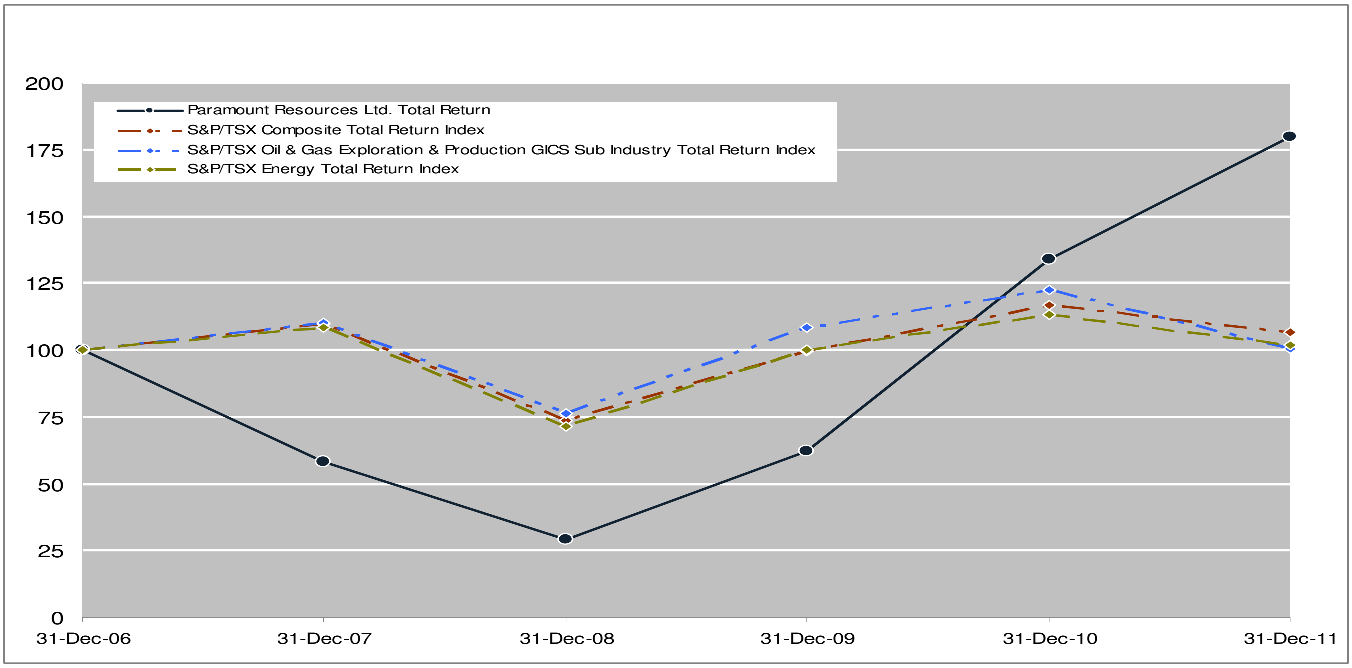
- Cash bonuses, when awarded, are modest and typically range from $50,000 to $150,000 per individual.
- Cash bonuses reward exceptional results that have a long term positive impact on Paramount. They are linked to strategic achievements and the successful completion of major projects and transactions that will have a meaningful impact on Paramount's goal of long term value creation.

Stock Option Grants

Paramount's Compensation Committee believes that the Option Plan is not designed to encourage excessive risk taking for the reasons set out below:

- The quantum of an option grant is tied to past performance as well as perceived future value to Paramount. Grants of options generally vest over 5 years with the first tranche only vesting after the first year. This motivates the achievement of long term sustainable objectives and aligns interests with Shareholders.
- Paramount 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.

Total Return Performance Graph



	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-11
Paramount Resources Ltd. Total Return	100	58	29	62	134	180
S&P/TSX Composite Total Return Index	100	110	74	99	117	107
S&P/TSX Oil & Gas Exploration & Production GICS Sub Industry Total Return Index	100	110	76	108	122	100
S&P/TSX Energy Total Return Index	100	108	72	100	113	102

Note:

(1) For purposes of this graph, it has been assumed that the share and warrants of MGM Energy Corp. ("MGM") received for each 25 Common Shares held by Shareholders in connection with the spinout of MGM were monetized as of January 22, 2007 (being the first trading day after all of the securities were held) for an aggregate amount of $7.40 per 25 Common Shares, and the proceeds were used to buy Common Shares on that date.

Paramount's total return performance graph, as depicted above, reflects both operational and financial performance within Paramount's control as well as the impact of factors beyond Paramount's control, including fluctuations in commodity prices and economic and market conditions. The price of Paramount's Common Shares over the time period indicated in the above graph has been positively affected by production and reserves growth (notably in the Kaybob Corporate Operating Unit), increases in the value of Paramount's portfolio of investments in other oil and gas entities, furthering the delineation of Paramount's bitumen resources within the Grand Rapids formation at its Hoole oil sands property and the reorganization of those interests into Cavalier, as well as good economic and market conditions. The price of Paramount's Common Shares over the time period indicated in the above graph has been negatively affected by decreasing commodity prices, poor economic and market conditions and, at times operational difficulties and delays and increasing operational costs. The price of Paramount's Common Shares was also impacted by the turbulent global economic and market conditions experienced during the end of the second half of 2008 and the subsequent market recovery.

Base salaries for NEOs increased in 2007; however, they remained relatively unchanged from 2007 to 2008, a period of declining share price. Base salaries increased only slightly for certain NEOs in 2009 from 2008 levels, a period during which Paramount's Common Share price also increased. Base salaries increased slightly in 2010 and in 2011, coinciding with the increase in the Common Share trading price through 2010 and 2011.

With respect to SIP and cash bonuses, aside from a SIP bonus granted to Mr. Clayton Riddell in fiscal 2007 specifically in relation to his negotiation of the sale of the Corporation's North American Oil Sands shares, no other cash or share bonuses (other than the annual SIP awards) or other extraordinary bonuses were paid during the period from December 31, 2006 to

2009. In December 2010, certain NEOs and other officers were awarded a cash bonus in recognition of their performance during fiscal 2010. This cash bonus rewarded performance in connection with specific events, including completing a tender offer with respect to Paramount's outstanding US notes, redeeming the outstanding US notes after the close of the tender offer, closing a private equity offering and a public equity offering for "flow-through" Common Shares and issuing $300 million of 8.25% senior unsecured notes due 2017. In December 2011, certain NEOs and other officers were awarded a cash bonus in recognition of their contribution to the completion of several important transactions in fiscal 2011 including the issuance of an additional $70 million of Paramount's 8.25% senior unsecured notes due 2017 at a premium, the closing of three equity offerings, the acquisition of ProspEx Resources Ltd. in May, the reorganization of Paramount's bitumen assets into a new, wholly-owned subsidiary and the secondary offering by Paramount of 5,000,000 shares of Trilogy Energy Corp.

Compensation Governance

In 2005, Paramount's Board of Directors approved the current Compensation Committee Charter. The Compensation Committee Charter sets out the Compensation Committee's composition, procedure and organization as well as its primary duties and responsibilities, some of which are as follows:

a. to recommend to the Board compensation policies and general human resources policies and guidelines concerning employee compensation and benefits;
b. to ensure 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;
c. to make recommendations to the Board with respect to the annual salary, bonus and other benefits, direct and indirect, of the Chief Executive Officer and to approve compensation for all other designated officers in the Corporation after considering the recommendations of the Chief Executive Officer, all within the compensation policies and general human resources policies and guidelines concerning employee compensation and benefits approved by the Board such compensation to realistically reflect the responsibilities and risks of such positions;
d. to implement and administer compensation policies and general human resources policies and guidelines concerning employee compensation and benefits concerning the following:
    i. executive compensation, contracts, stock plans or other incentive plans; and
    ii. proposed personnel changes involving officers reporting to the Chief Executive Officer;
e. from time to time, to review the Corporation's broad policies and programs in relation to benefits;
f. to annually receive from the Chief Executive Officer recommendations concerning annual compensation policies and budgets for all employees;
g. from time to time, to review with the Chief Executive Officer the Corporation's broad policies on compensation for all employees and overall labour relations strategy for employees; and
h. to report regularly to the Board on all of the Committee's activities and findings during that year.

The Compensation Committee is composed of the following directors: Mr. Clayton Riddell (chair), Mr. John Gorman and Mr. John Roy. Messrs. Gorman and Roy are independent directors and Mr. Riddell is not an independent director. All of the members of the Compensation Committee have extensive managerial and executive experience dealing with employee performance and compensation (see the brief biography for each member below). Each member has worked in excess of 25 years in the oil and gas industry or in businesses related thereto, in a number of different roles and has extensive knowledge of relevant compensation industry practices and trends. When making decisions with respect to compensation, the Committee also has the benefit of information obtained from the Mercer Survey and Paramount's Human Resources department. Given their wealth of experience and the resources available to them, they are well positioned to make decisions with respect to Paramount's compensation policies and practices.

Clayton Riddell
Mr. Riddell began his extensive industry career with Chevron in 1959. In 1978, he established Paramount. Mr. Riddell has held the top executive position at Paramount since that time. At all times during his tenure with Paramount he has been directly involved in setting Paramount's compensation policies and practices. Since its inception, Paramount's staff has grown from 12 employees to over 200 full time employees. Mr. Riddell has also acquired extensive experience with respect to compensation matters as a board member of several other public entities including Alaris Royalty Corp., MGM Energy Corp., Perpetual Energy Inc., Tourmaline Oil Corp. and Trilogy Energy Corp. He continues to be a member of the compensation committee of Trilogy Energy Corp. and was formerly a member of the compensation committees of Newalta Corporation and Perpetual Energy Inc. Mr. Riddell graduated from the University of Manitoba with a Bachelor of Science (Honours) degree in Geology and received an Honorary Doctor of Science degree from the University of Manitoba in 2004.

John Gorman
Mr. Gorman was the President and CEO of an energy trading, marketing and financial services company from 1996 to 2000 and prior to that worked for 25 years for the Bank of Montreal, where the final position he held was Senior Vice President, Natural Resources Group. Over his career, Mr. Gorman has held a number of senior management positions in Canada as well as internationally in London, Mexico and Singapore. Throughout his executive career, Mr. Gorman was directly involved in compensation matters, including salary and bonus administration, for executives and senior managers reporting to him, as well

as oversight responsibility for compensation matters relating to more junior staff. Mr. Gorman has a Bachelor of Arts degree from the University of Ottawa and a Master of Business Administration degree from the University of Western Ontario.

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.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table provides a summary of compensation earned in fiscal 2009, 2010 and 2011 by NEOs.

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Share-based awards[1] ($) (d)	Option-based awards[2] ($) (e)	Non-equity incentive plan compensation ($) (f1)	Total compensation[3] ($) (i)
Clayton Riddell[4] CEO	2011 2010 2009	436,225 436,000 415,959	321,000 425,000 250,800	3,929,422[5] 2,143,500 668,411	nil nil nil	4,686,647 3,004,500 1,335,170
James Riddell[4] President	2011 2010 2009	457,475 457,250 436,232	802,500 446,250 250,800	5,136,896[5] 2,858,000 1,002,617	nil 150,000[7] nil	6,396,871 3,911,500 1,689,649
Bernard Lee Chief Financial Officer	2011 2010 2009	293,447 274,793 268,086	64,800 64,800 37,708	1,023,274[5] 714,500 167,103	75,000[8] 75,000[7] nil	1,456,521 1,129,093 472,897
Mitchell Shier Corporate Secretary	2011 2010 2009	281,225 267,000 253,776	61,200 61,200 nil[6]	1,023,274[5] 535,875 167,103	75,000[8] 75,000[7] nil	1,440,699 939,075 420,879
Darrel Purdy Corporate Operating Officer	2011 2010 2009	239,922 207,668 201,304	60,000 60,000 33,714	900,474 714,500 116,972	75,000[8] 50,000[7] nil	1,275,396 1,032,168 351,990

Notes:

(1) The amounts included in the Share-based Awards column represent the monetary value of the vested and unvested Paramount Common Shares granted to NEOs under Paramount's SIP during the applicable year. The number of Common Shares comprising the SIP Award for each NEO is obtained by dividing the dollar value of the bonus determined for them by the market value of a Common Share on the grant date (determined on a five day weighted average price). For Messrs. Clayton Riddell and James Riddell, the entire grant of Common Shares vest on the grant date. For Messrs. Lee, Shier and Purdy, one-third of the Common Shares granted vests immediately on the grant date, one-third vests on the first anniversary of the grant date and the final one-third vests on the second anniversary of the grant date.

(2) The grant date fair value for the option-based awards is calculated using a Black-Scholes model. For the grants under the Option Plan the inputs were as follows: expected life 5.4 years, volatility 49% and interest rate 1.3%. For the grants under the Cavalier Option Plan the inputs were as follows: expected life 6.9 years, volatility 63% and interest rate 1.6%. This methodology is consistent with the method used to estimate the fair value of options in Paramount's financial statements.

(3) Columns "g" (Pension value) and "h" (All other compensation), as defined in Form 51-102F6, have been omitted from the Summary Compensation Table above. Column "g" has been omitted because Paramount does not have a pension plan as defined in Form 51-102F6 and column "h" has been omitted because the amounts are less than $50,000 and less than 10% of each NEO's total salary for 2009 through 2011. The "Total Compensation" column does not include any amounts from these omitted columns.

(4) Messrs. Clayton Riddell and James Riddell do not receive compensation in their capacity as directors of Paramount.

(5) Messrs. Clayton Riddell, James Riddell, Lee and Shier received option grants under the Option Plan and under the Cavalier Option Plan. The grant date fair value of both grants is included in the figures given above.

(6) Mr. Shier was appointed General Counsel and Corporate Secretary, Manager, Land effective January 17, 2009 and accordingly was first eligible for a Share-based Award in fiscal 2010.

(7) Cash bonus in respect of exceptional performance in 2010.

(8) Cash bonus in respect of exceptional performance in 2011.

Narrative Discussion Relating to the Summary Compensation Table

Salary

The figures in the Salary column of the Summary Compensation Table represent the salary for NEOs in fiscal 2009, 2010 and 2011.

In the summer of 2011, Paramount instituted a voluntary Friday off program (without pay) for all employees and NEOs. This represented an overall salary reduction of 2.65% for Mr. Lee over the year. Mr. Lee's reduced salary is shown in the Salary column for 2011. Messrs. Lee, Shier and Purdy received salary increases of 6.90%, 5.56% and 6.38%, respectively, for fiscal 2012.

Share-based Awards

The figures in the Share-based Awards column of the Summary Compensation Table represent the monetary value of the annual SIP grants in fiscal 2009, 2010 and 2011. The number of Common Shares comprising the SIP Award is obtained by dividing the dollar value of the bonus determined for them by the market value of a Common Share on the grant date (determined on a five day weighted average price). With respect to Messrs. Lee, Shier and Purdy, one-third of their award vested immediately, one-third vests on the first anniversary of the grant date and one-third vests on the second anniversary of the grant date. The Summary Compensation Table shows the grant date fair value of the total vested and unvested SIP award granted to Messrs. Lee, Shier and Purdy in each year. With respect to Messrs. Clayton Riddell and James Riddell, their entire SIP awards vest on the grant date and the table above reflects the grant date fair value of their SIP grant in each particular year.

Option-based Awards

The figures in the Option-based Awards column of the Summary Compensation Table represent the grant date fair value of options granted to NEOs in fiscal 2009, 2010 and 2011 (with the December 2011 grant of Paramount's Options hereinafter being referred to as the "December 2011 grant"). The December 2011 grant vests in five equal annual tranches commencing on October 19, 2012 and ending on October 19, 2016. The December 2011 grant expires on April 30, 2017. In November 2011, Messrs. Clayton Riddell, James Riddell, Lee and Shier also received grants under the Cavalier Option Plan. These grants vest in four equal tranches commencing October 1, 2012 and ending October 1, 2015. The grants to Messrs. Clayton Riddell, James Riddell, Lee and Shier pursuant to the Cavalier Option Plan expire September 30, 2018.

Messrs. Clayton Riddell and James Riddell received two Option-based Awards in 2009, one award in February 2009 (the "February 2009 grant") and one award in December 2009 as part of the regular annual option grant to NEOs. For Messrs. Clayton Riddell and James Riddell, the figure in the Option-based Awards column represents the grant date fair value of the December 2009 grant only as the February 2009 grant simply replaced SARs granted to each of them in November 2008 and had no incremental fair value.

The following table summarizes the December 2011 grant to the NEOs.

Name	Total Option Grant	Option Exercise Price
Clayton Riddell	150,000	$40.09
James Riddell	200,000	$40.09
Bernard Lee	50,000	$40.09
Mitchell Shier	50,000	$40.09
Darrel Purdy	50,000	$40.09

Outstanding Share-based Awards and Option-based Awards

The following table summarizes the outstanding Share-based awards and Option-based awards for the NEOs at the end of the most recently completed financial year.

	Option-based Awards				Share-based Awards		
Name (a)	# of securities underlying unexercised options (#) (b)	Option exercise price ($) (c)	Option expiration date (d)	Value of unexercised in-the-money options[1] ($) (e)	Number of unvested shares (#) (f)	Market or payout value of unvested share-based awards ($)[1] (g)	Market or payout value of vested share-based awards not paid out or distributed ($)[1] (h)
Clayton Riddell[2]	150,000 150,000 100,000 500,000	40.09 29.46 13.20 7.34	April 30, 2017 April 30, 2016 April 30, 2015 April 30, 2013	361,500 1,956,000 2,930,000 17,580,000	nil	nil	nil
James Riddell[2]	200,000 200,000 150,000 780,000	40.09 29.46 13.20 7.34	April 30, 2017 April 30, 2016 April 30, 2015 April 30, 2013	482,000 2,608,000 4,395,000 27,424,800	nil	nil	nil
Bernard Lee[2]	50,000 50,000 25,000 100,000	40.09 29.46 13.20 7.34	April 30, 2017 April 30, 2016 April 30, 2015 April 30, 2014	120,500 652,000 732,500 3,516,000	2,669	113,433	nil
Mitchell Shier[2]	50,000 37,500 20,000 75,000	40.09 29.46 13.20 7.36	April 30, 2017 April 30, 2016 April 30, 2015 May 31, 2014	120,500 489,000 586,000 2,635,500	2,520	107,100	nil
Darrel Purdy	50,000 50,000 17,500 20,000	40.09 29.46 13.20 7.34	April 30, 2017 April 30, 2016 April 30, 2015 April 30, 2014	120,500 652,000 512,750 703,200	2,471	105,018	nil

Notes:

(1) Based on the closing trading price of Common Shares of $42.50 as of December 30, 2011 and in respect of all vested and unvested options and SIP grants.

(2) Under the Cavalier Option Plan, Mr. Clayton Riddell received a grant of 400,000 options and Mr. James Riddell received a grant of 500,000 options. Messrs. Lee and Shier each received a grant of 40,000 options. All option grants under the Cavalier Option Plan expire on September 30, 2018. As there is no market for the common shares of Cavalier, the value of Cavalier's common shares as of December 30, 2011 is unknown.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table shows the Paramount options and SIP grants for NEOs that vested during the most recently completed financial year.

Name (a)	Option-based awards – Value vested during the year ($) (b)	Share-based Awards – Value vested during the year ($) (c)	Non-equity incentive plan compensation – Value earned during the year ($) (d)
Clayton Riddell	3,162,700 [1]	319,800 [3]	nil
James Riddell	4,880,940 [1]	799,500 [3]	nil
Bernard Lee	582,025 [1]	127,920 [4]	75,000
Mitchell Shier	1,041,525 [1],[2]	60,282 [5]	75,000
Darrel Purdy	376,105 [1]	116,439 [4]	75,000

Notes:

(1) On the vesting date of October 19, 2011, the closing trading price of Common Shares was $33.63.

(2) The figure under column "b" is in respect of three grants. The first grant has a vesting date of November 21, 2011. The closing trading price of Common Shares on November 21, 2011 was $37.63. The other two grants have vesting dates of October 19, 2011.

(3) The entire SIP award to both Messrs. Clayton and James Riddell vested on the grant date of April 15, 2011. The closing trading price of Common Shares was $31.98 on April 15, 2011.

(4) The amounts for Messrs. Lee and Purdy are derived from SIP grants in 2011, 2010 and 2009. The figure includes one-third of the 2011 SIP grant, one-third of the 2010 SIP grant and one-third of the 2009 SIP grant. The closing trading price of Common Shares was $31.98 on April 15, 2011, the date that the applicable portions of the 2011, 2010 and 2009 SIP grants vested.

(5) Mr. Shier did not receive a SIP grant in 2009 because he commenced employment with Paramount in November 2008 and the 2009 SIP grant was with respect to performance during fiscal 2008. The amount awarded to Mr. Shier is based on one third of his 2011 SIP grant and one third of this 2010 SIP grant. The closing trading price of Common Shares was $31.98 on April 15, 2011, the date that the applicable portion of the 2010 and 2011 SIP grants vested.

INCENTIVE PLANS

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. As of December 31, 2011, there was an aggregate of 5,767,450 options outstanding under the Option Plan, the details of which are as follows:

Plan Category	Number of securities to be issued upon exercise of outstanding options as at December 31, 2011 (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issues under equity compensation plans (excluding securities reflected in the first column) as at December 31, 2011 (c)
Equity compensation plans approved by securityholders – Option Plan	5,767,450	$20.76	2,782,517
Equity compensation plans not approved by securityholders	None	None	None
Total	5,767,450	$20.76	2,782,517

Option Plan

General Information

Paramount's Option Plan was approved by the Board at a meeting held on November 30, 2000, and by Shareholders at the annual and special meeting of Shareholders held on June 14, 2001. The Option Plan has been amended on several occasions since 2001 with the most recent amendments occurring on November 10, 2010. The amendments in November 2010 were made to address certain changes to the *Income Tax* Act (Canada) made March 4, 2010 relating to companies' obligations to withhold and remit to the Canada Revenue Agency amounts in respect of income tax payable by optionholders on the exercise or surrender of options. At the same time, Paramount also made certain amendments of an administrative or clerical nature to the Option Plan. Shareholder approval was not required for any of the amendments made in 2010.

The Option Plan enables Paramount's Board or Compensation Committee to grant to key employees, officers and non-management 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 maximum number of Common Shares that may be issued to any one insider (and such insider's associates) under the Option Plan and any other share based compensation arrangement within a one-year period is 5% of the outstanding Common Shares.

Exercise Provisions

The exercise price of an option cannot be less than the closing market price of the Common Shares on the TSX on the trading day preceding the date of grant. To exercise, optionholders may either exercise their options for Common Shares or, if the Corporation concurs, surrender their options for a cash payment in an amount equal to the positive difference, if any, between the market price and the exercise price of the number of Common Shares in respect of which the options are surrendered. Upon the surrender of options, the right to the underlying Common Shares is forfeited. 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 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 options to the extent the holder was entitled at the date of death.

Option Vesting and Term

The Option Plan provides that options grants can be made for a term not exceeding ten years from the date of the grant. All currently outstanding options terminate no later than 2017. All the options currently outstanding under the Option Plan have 5 year vesting schedules with the expiry date being the date which is the last day of the month 6 months after the final vesting date.

Termination of Rights
The Option Plan provides that 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 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 then remaining vested number of options.

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 the 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, 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 an offer being made for all of the Corporation's 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.

Amendment
The Option Plan may be amended, suspended or discontinued by the Board at any time provided that no such amendment may adversely alter or impair any option previously granted without the consent of the holder thereof. Any amendment to the Option Plan is subject to any required approval of the TSX and Shareholders. However, amendments relating to the following matters may be approved by the Board without the approval of Shareholders, provided that such amendments do not contravene the requirements of the TSX or applicable securities law: (i) altering, extending or accelerating the terms and conditions of vesting applicable to any options or group of options; (ii) changing the termination provisions of any options, provided that the change does not entail an extension beyond the original expiry date of such options; (iii) accelerating the expiry date of options; (iv) determining the adjustment provisions pursuant to the Option Plan; (v) amending the definitions in the Option Plan and other amendments of a "housekeeping" nature; and (vi) amending or modifying the mechanics of exercise of options.

Hedging
Paramount does not have a policy that either permits or prohibits NEOs and directors from purchasing financial instruments including 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 held, directly or indirectly by them.

As at March 8, 2012, there were options to acquire 5,667,950 Common Shares outstanding under the Option Plan, representing approximately 6.6% of the total number of outstanding Common Shares as at such date.

SIP

General Information
Under Paramount's SIP, eligible employees are entitled to receive awards of rights to Common Shares, referred to as share units. The share units vest over time except for grants to the CEO and President which vest immediately. Any permanent, full-time employee or officer of Paramount who is designated in writing as an eligible employee by the CEO may participate in the SIP. The SIP awards are granted annually at the discretion of the CEO and subject to corporate and individual targets being met. Typically awards will be calculated in February or March following the completion of the previous fiscal year and are granted to eligible employees in April.

Common Shares awarded under the SIP are acquired through the facilities of the TSX by a third-party custodian. None of Paramount, the Board, the Compensation Committee nor the CEO has any direct or indirect control over the time, price, amount or manner of such purchases of Common Shares or the choice of broker through which purchases are to be made.

Termination of Rights
If an employee ceases to be an employee of Paramount for any reason, other than death, all outstanding unvested share units held by that employee terminate, unless the CEO determines otherwise. In the event of a death of an employee, all outstanding unvested share units vest immediately.

Change of Control or Sale
The definition of a change of control under the SIP is the same as that under the Option Plan. In the event of a change of control or a sale by the Corporation of all or substantially all of its assets, the CEO may determine, in his sole discretion, to accelerate the vesting of all unvested share units held by employees.

Adjustments
In the event: (i) of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise, (ii) that any rights are granted to Shareholders to purchase Common Shares at prices substantially below fair market value; or (iii) of dividends or distributions, then the Board or the Compensation Committee may make such adjustments to the SIP and to any awards outstanding as they in their sole discretion consider appropriate.

SIP Administration
The SIP is administered by the CEO on behalf of the Board. The CEO has the sole and absolute discretion to interpret and administer the SIP, establish, amend and rescind any rules and regulations relating to the SIP and make any other determinations that the CEO deems necessary or desirable for the administration of the SIP, including correcting any defect, omission or inconsistency.

Amendment
The Board and the Compensation Committee may from time to time revise or amend the terms of the SIP should business circumstances warrant. The Board and the Compensation Committee also have the discretion to terminate the SIP at any time. If the SIP is terminated, the provisions of the SIP in force at the time will continue in effect as long as any awards of share units remain unvested. Any amendment to the SIP 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 awards.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Messrs. Clayton Riddell and James Riddell do not have written employment contracts. Messrs. Lee, Purdy and Shier have employment letter agreements; however, Messrs. Lee and Purdy's employment letter agreements do not contain any provisions dealing with termination, retirement, resignation or a change of control. Accordingly, all rights or entitlements of Messrs. Clayton Riddell, James Riddell, Lee and Purdy with respect to termination, retirement, resignation or a change of control are, in the case of severance rights governed by the common law, and in the case of their SIP awards and option grants governed by the applicable provisions of the SIP and Option Plan. As discussed above, Paramount's SIP and Option Plan provide that upon a change of control, a sale by the Corporation of all or substantially all of its assets or an offer being made for all of the Corporation's Common Shares the vesting of all unvested SIP share rights and options may be accelerated in the sole discretion of the CEO (in the case of the SIP) or the Board (in the case of the Option Plan).

Mr. Shier's employment letter 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 SIP awards also vest. Mr. Shier otherwise has the same rights and entitlements as Messrs. Clayton Riddell, James Riddell, Lee and Purdy. Based on Mr. Shier's 2011 base salary, bonus, and option award, the table below sets out an estimated aggregate amount that he would have been entitled to if he had been terminated without cause on December 31, 2011.

	Severance	Option Benefits	SIP Benefits	Total
Mitchell Shier	$562,450[(1)]	$2,645,200[(2)]	$107,100[(3)]	$3,314,750

Notes:
(1) Mr. Shier's severance is calculated using his base salary.
(2) Mr. Shier's option benefit is the net dollar amount payable to Mr. Shier assuming the exercise of unvested options. Withholding taxes or other statutory payments have not been deducted from the total.
(3) Mr. Shier's SIP benefit is the dollar amount payable to Mr. Shier assuming all his SIP awards scheduled to vest in the 24 months following December 31, 2011 vested and were sold on December 31, 2011. No taxes have been deducted from the total.

DIRECTOR COMPENSATION

Director Compensation Table

The following table provides a summary of compensation earned by the non-management directors of Paramount.

Name (a)	Year	Fees earned ($) (b)	Option-based awards ($)[1] (d)	Total compensation[2] ($) (h)
John Gorman	2011	52,000	180,095	232,095
	2010	28,750	71,450	100,200
	2009	32,000	33,421	65,421
Dirk Jungé	2011	37,000	180,095	217,095
	2010	17,250	71,450	88,700
	2009	26,000	33,421	59,421
David Knott	2011	30,750	180,095	210,845
	2010	18,250	71,450	89,700
	2009	24,000	33,421	57,421
Violet Riddell	2011	29,250	180,095	209,345
	2010	12,750	71,450	84,200
	2009	20,000	33,421	53,421
Susan Riddell Rose	2011	30,500	180,095	210,595
	2010	14,750	71,450	86,200
	2009	19,000	33,421	52,421
John Roy	2011	63,000	180,095	243,095
	2010	43,000	71,450	114,450
	2009	50,000	33,421	83,421
Alistair Thomson	2011	36,750	180,095	216,845
	2010	22,750	71,450	94,200
	2009	27,000	33,421	60,421
Bernhard Wylie	2011	36,750	180,095	216,845
	2010	23,250	71,450	94,700
	2009	27,000	33,421	60,421
Thomas Claugus	2011	31,750	180,095	211,845
	2010	5,250	227,250	232,500
	2009	N/A	N/A	N/A
James Bell[3]	2011	500	433,697 [4]	434,197
	2010	N/A	N/A	N/A
	2009	N/A	N/A	N/A

Notes:

(1) The grant date fair value for the 2011 option-based awards is calculated using a Black-Scholes model (expected life 5.4 years, volatility 49% and interest rate 1.3% for the December 2011 grant and expected life 4.5 years, volatility 50 % and interest rate 1.3% for the November 2011 grant to Mr. Bell. See footnote 4 below). This methodology is consistent with the method used to estimate the fair value of options in Paramount's financial statements.

(2) Columns "c" (Share-based awards), "e" (Non-equity incentive plan compensation), "f" (Pension value) and "g" (All other compensation), as defined in Form 51-102F6, have been omitted from the Director Compensation Table above. Column "c" has been omitted because directors do not receive share-based awards. Column "e" has been omitted because Paramount did not award any non-equity incentive plan compensation to non-management directors in 2009, 2010 or 2011. Column "f" has been omitted because Paramount does not have a pension plan. Finally, column "g" has been omitted because no other amounts, as defined in 51-102F6, were paid or payable to Paramount's non-management directors in 2009, 2010 or in 2011.

(3) Mr. Bell was appointed a director on November 9, 2011.

(4) Mr. Bell was granted options on November 14, 2011 and received a grant of options as part of the December 2011 grant. The figure included under column "d" is the total grant date fair value of both grants to Mr. Bell.

Narrative Discussion Related to Director Compensation

Fees Earned

The figures in the column entitled "Fees earned" in the Director Compensation Table set out the fees earned by each non-management director. It includes an honorarium as well as meeting, chair and committee fees. Each non-management director is entitled to a fee of $1,250 for each meeting of the Board or committee of the Board attended, including Shareholders' meetings. Each director is also entitled to a fee of $500 for attendance to sign resolutions from time to time. The annual honorarium paid to each director is $20,000. Non-management committee chairs of the Corporate Governance Committee, the Environmental Health and Safety Committee and the Compensation Committee receive an additional annual honorarium of

$5,000, with the chair of the Audit Committee receiving an annual honorarium of $6,500. Finally, the Lead Director receives an additional annual honorarium of $10,000. The aggregate cash compensation paid to the non-management directors in the last completed fiscal year was $348,250.

Messrs. Jungé and Knott are also directors of a United States subsidiary of Paramount and as a result, their compensation total includes amounts paid to them in that capacity. They are entitled to a fee of $1,250 for each Board meeting or Shareholder meeting and $500 for attendance to sign resolutions with respect to that subsidiary. In 2011, these fees amounted to $1,500 for each of Messrs. Jungé and Knott. The fees for the remaining non-management directors are with respect to Paramount only.

Option-based Awards
Paramount granted options to its non-management directors in December 2011 at the same time as the grant to NEOs.

Outstanding Share-based Awards and Option-based Awards

The following table summarizes the outstanding share-based awards and option-based awards for non-management directors at the end of the most recently completed financial year.

	Option-based Awards			
Name **(a)**	**# of securities underlying unexercised options (#)** **(b)**	**Option exercise price ($)** **(c)**	**Option expiration date** **(d)**	**Value of unexercised in-the-money options[1] ($)** **(e)**
John Gorman	10,000 5,000 4,000 10,500	40.09 29.46 13.20 7.34	April 30, 2017 April 30, 2016 April 30, 2015 April 30, 2014	24,100 65,200 117,200 369,180
Dirk Jungé	10,000 4,000 5,000 10,500	40.09 29.46 13.20 7.34	April 30, 2017 April 30, 2016 April 30, 2015 April 30, 2014	24,100 65,200 117,200 369,180
David Knott	10,000 5,000 5,000 21,000	40.09 29.46 13.20 7.34	April 30, 2017 April 30, 2016 April 30, 2015 April 30, 2014	24,100 65,200 146,500 738,360
Violet Riddell	10,000 5,000 5,000 21,000	40.09 29.46 13.20 7.34	April 30, 2017 April 30, 2016 April 30, 2015 April 30, 2014	24,100 65,200 146,500 738,360
Susan Riddell Rose	10,000 5,000 5,000 21,000	40.09 29.46 13.20 7.34	April 30, 2017 April 30, 2016 April 30, 2015 April 30, 2014	24,100 65,200 146,500 738,360
John Roy	10,000 5,000 5,000 21,000	40.09 29.46 13.20 7.34	April 30, 2017 April 30, 2016 April 30, 2015 April 30, 2014	24,100 65,200 146,500 738,360
Alistair Thomson	10,000 5,000 5,000 15,000	40.09 29.46 13.20 7.34	April 30, 2017 April 30, 2016 April 30, 2015 April 30, 2014	24,100 65,200 146,500 527,400
Bernhard Wylie	10,000 5,000 4,000 10,500	40.09 29.46 13.20 7.34	April 30, 2017 April 30, 2016 April 30, 2015 April 30, 2014	24,100 65,200 117,200 369,180
Thomas Claugus	10,000 5,000 19,000 [2]	40.09 29.46 17.11	April 30, 2017 April 30, 2016 April 30, 2015	24,100 65,200 482,410
James Bell	10,000 16,000 [3]	40.09 37.80	April 30, 2017 April 30, 2016	24,100 75,200

Notes:
(1) Based on the closing trading price of Common Shares of $42.50 as of December 31, 2011 and in respect of all vested and unvested options.
(2) Mr. Claugus was elected to Paramount's Board on May 12, 2010. The noted option-based award is with respect to his initial grant of options upon becoming a director.
(3) Mr. Bell was appointed to Paramount's Board on November 9, 2011. The option-based award included above is with respect to his initial grant of options upon becoming a director.
(4) Columns "f", "g", and "h" have been omitted because directors do not receive Share-based awards.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table shows Paramount options for non-management directors that vested during the most recently completed financial year.

Name (a)	Option-based awards – Value vested during the year[1] ($) (b)
John Gorman	116,615
Dirk Jungé	116,615
David Knott	116,615
Violet Riddell	116,615
Susan Riddell Rose	116,615
John Roy	116,615
Alistair Thomson	116,615
Bernhard Wylie	116,615
Thomas Claugus	78,510
James Bell	0

Notes:

(1) On the vesting date of October 19, 2011, the closing trading price of Common Shares was $33.63.

(2) Columns “c” and “d” have been omitted because directors do not receive Share-based awards or Non-equity incentive plan compensation.

CORPORATE GOVERNANCE

The Corporate Governance Committee is presently comprised of John Roy (Chair and Lead Director), John Gorman, Dirk Jungé, Alistair Thomson, David Knott, Thomas Claugus and James Bell. All members are unrelated, independent and non-management directors as defined by applicable securities laws.

In developing its approach to governance, the Committee has given consideration to applicable securities legislation and policies, Paramount's by-laws, Paramount's organization, structure and ownership as well as to 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

a. *Disclose the identity of directors who are independent.*

   John Gorman, Dirk Jungé, David Knott, John Roy, Alistair Thomson, Thomas Claugus and James Bell are independent as that term is defined in section 1.4 and 1.5 of National Instrument 52-110 *Audit Committees* ("NI 52-110").

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

   Clayton Riddell, James Riddell, Violet Riddell, Susan Riddell Rose and Bernhard Wylie are not independent. Clayton Riddell and James Riddell are not independent because they are also members of management. Bernhard Wylie provides consulting services to Paramount from time to time and accordingly there exists a material business relationship with the Corporation. Violet Riddell and Susan Riddell Rose have a familial relationship with the CEO and the President of the Corporation.

c. *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 are independent.

d. *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 are disclosed under the section "Nominees for Election to the Board of Directors."

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

   In the 2011 financial year there were two meetings of the independent directors at which non-independent directors and members of management were not in attendance.

f. *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.*

   Clayton Riddell is the Chairman of the Board of Paramount and he is not an independent director. As the Chairman is not an independent director, the Board has appointed Mr. John Roy, an independent director, as Lead Director. The Lead Director is responsible for:

- facilitating the functioning of the Board independent of management and ensuring that directors have an independent leadership contact;
- ensuring that the Board has adequate resources, especially by way of full, timely and relevant information to support its decision-making requirements;
- assisting and providing input to the Chairman on preparation of agendas for Board meetings as required;
- consulting with the Chairman and the Board on the effectiveness of Board committees;
- ensuring that independent directors have adequate opportunities to meet to discuss issues without Management present;
- chairing Board meetings when the Chairman and President are not in attendance;
- 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
- acting as a liaison between the Board and Management.

g. *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 for all Board and Committee meetings is disclosed under the section "Nominees for Election to the Board of Directors."

Board Mandate

a. *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 Corporate Governance, Audit 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

a. *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 of the Board and for the Chair of each Board committee as well as for the CEO, President and Chief Financial Officer.

b. *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 by the Corporate Governance Committee of the Board.

Orientation and Continuing Education

a. *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.*

A Corporate Governance Manual has been developed which provides for a directors' education program designed 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 copy of all relevant 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 the business through interviews with the Chairman, other directors and Management during which they are briefed on Paramount and its business.

b. *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.*

Information on courses pertaining to corporate governance and significant legislative changes are circulated to Board members on an as needed basis or when requested by Board members. Additionally, the Corporate Governance Committee meets at least semi-annually and a portion of these meetings is dedicated to discussions of topical issues and to review and update the Corporate Governance Manual, if necessary. The Corporate Governance Committee then reports back to the Board and, where required, obtains Board approvals to revise corporate governance policies/mandates.

Ethical Business Conduct

a. *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:*

- *disclose how a person or company may obtain a copy of the code;*
- *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*
- *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, President, CFO and senior financial supervisors. 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 http://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 4700 – 888 Third Street S.W., Calgary, Alberta T2P 5C5.

Compliance is monitored by the Audit Committee receiving, annually, certificates from Paramount's officers 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 memo from management or Human Resources reiterating the need to comply with the Code of Business Conduct and reminding them that the Whistleblower Policy facilitates anonymous disclosure of any breach.

No material change reports have been filed by Paramount during the 2011 financial year relating to a director's or executive officer's departure from the Code of Business Conduct or the Code of Ethics.

b. *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.

c. *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.

Nomination of Directors

a. *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 President 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 President 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.

The Corporate Governance Committee has implemented a flexible, phased-in director succession plan which contemplates the retirement of one director every two years for the next four years. The purpose of such plan is to allow the Board and Committees of the Board at the time, the opportunity to review their skills and competencies, determine the knowledge and expertise needed and to maximize the retention of experience and knowledge during a transition.

b. *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.

c. *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

a. *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 recommends to the Board the annual salary, bonus and other benefits, direct and indirect, of the CEO and approves the compensation for all other designated officers after considering the recommendations of the CEO, all within the compensation policies and general human resources policies and guidelines concerning employee compensation and benefits approved by the Board.

b. *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 Board has a Compensation Committee which is composed of two independent members and one member who is not independent (Mr. Clayton Riddell is the majority shareholder and the CEO). John Roy, the Lead Director, and John Gorman are the other two members of the Compensation Committee. Paramount participates in the annual Mercer Survey conducted by independent consultants encompassing, among other things, executive compensation. The Mercer Survey examines the salary, benefits and other incentive programs in effect with other oil and gas companies operating in Canada. To ensure an objective process for determining the CEO's compensation, the CEO's compensation is approved by the Board.

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

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.

d. *If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.*

No compensation consultant or advisor has, at any time since the beginning of the 2011 financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, however, with respect to compensation matters, Paramount participates in and utilizes the Mercer Survey.

Other Board Committees

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

Paramount currently has four standing committees, namely, the Corporate Governance Committee, the Compensation Committee, the Audit Committee and the Environmental Health and Safety Committee.

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 superior 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".

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 to these duties, the Audit 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 Audit Committee also reviews the appointment of the independent engineering firm responsible for evaluating reserves and reviews the reserves data and the report of the reserves evaluator prior to making recommendations to the Board with respect thereto. Finally, the Audit Committee is responsible for identifying and monitoring the principal risks that could impact the financial reporting of the Corporation.

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.

Assessments

a. *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.*

Each year, the Corporate Governance Committee prepares and distributes, and each member of the Board completes, a detailed evaluation and assessment of the Board as a whole, and each committee of the Board. The content of the evaluation and assessment is determined by the Corporate Governance Committee. The results are summarized on a confidential basis to encourage full and frank commentary and reviewed by the Corporate Governance Committee. The results are then presented to the full Board along with any findings, recommendations or comments.

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.

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.

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 Chief Executive Officer, shall set the standards of conduct for the Corporation.

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.

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 Chair of the Board;

(ii) the lead director;

(iii) the Chief Executive Officer;

(iv) the President and Chief Operating Officer; and

(v) 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;

(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 security holders 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; and

(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 it 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 of the Board.

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[1] Definitions have been omitted.