

Extractive Sector Transparency Measures Act Report

Reporting Year From: 1/1/2016 To: 12/31/2016
Reporting Entity Name Paramount Resources Ltd.

Reporting Entity ESTMA Identification Number E634571

Subsidiary Reporting Entities (if necessary) Paramount Resources E713028, Fox Drilling Limited Partnership E015683

Attestation: Please check one of the the boxes below and provide the required information

Attestation (by Reporting Entity)

In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest I have reviewed the information contained in the ESTMA report for the entity(ies) listed above. Based on my knowledge, and having exercised reasonable diligence, the information in the ESTMA report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Attestation (through independent audit)

In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest that I engaged an independent auditor to undertake an audit of the ESTMA report for the entity(ies) and reporting year listed above. Such an audit was conducted in accordance with the Technical Reporting Specifications issued by Natural Resources Canada for independent attestation of ESTMA reports.

*The auditor expressed an unmodified opinion, dated [ENTER DATE: YYYY-MM-DD], on the ESTMA report for the entity(ies) and period listed above.
The independent auditor's report can be found at [INSERT WEBLINK TO AUDIT OPINION POSTED ONLINE – link should be on same page as report link]*

Director or Officer of Reporting Entity Full Name: Bernard K. Lee Date: 5/26/2016
Position Title: Chief Financial Officer

Director or Officer of Reporting Entity Full Name: Paul Kinvig Date: 5/26/2016
Position Title: Vice President, Finance, Controller



Extractive Sector Transparency Measures Act - Annual Report

BASIS OF PREPARATION

The schedule of Payments by Payee and the schedule of Payments by Project (collectively, the "Schedules") prepared by Paramount Resources Ltd. (the "Company") for the year ended December 31, 2016 have been prepared in accordance with the financial reporting provisions in Section 9 of the Extractive Sector Transparency Measures Act (the "Act"), Section 2.3 of the Act – Technical Reporting Specifications, and Sections 3.1 to 3.6 of the Act – Guidance (collectively the "Financial Reporting Framework"). The Schedules may not be suitable for another purpose.

Payee

For purposes of the Act, a payee is:

- 1) Any government in Canada or in a foreign state.
- 2) A body that is established by two or more governments.
- 3) Any trust, board, commission, corporation or body or other authority that is established to exercise or perform, or that exercises or performs, a power, duty or function of a government for a government referred to in paragraph (a) above or a body referred to in paragraph (b) above.

Payees include governments at any level, including national, regional, state/provincial or local/municipal levels. Payees include Crown corporations and other state-owned enterprises that are exercising or performing a power, duty or function of government.

SIGNIFICANT ACCOUNTING POLICIES

Cash basis

The Schedules have been prepared using the cash basis of accounting, as required by the Financial Reporting Framework, and therefore exclude any accruals related to payments due to governments. The Schedules include all cash payments made to a government and exclude cash inflows from a government. Where the Company makes a payment to a government that is net of credits from that government, the net payment amount has been presented.

All information is reported in Canadian dollars ("Cdn\$"). Payments to the "same payee" that meet or exceed \$100,000 Cdn in one category of payment are disclosed. Payments disclosed are rounded to the nearest \$10,000Cdn.

Projects

The Company has aligned its projects with its cash generating units as determined for financial statement reporting purposes.

Operator

The Company has reported all payments made by it, on its own behalf and in its role as operator, directly to the government on a 'gross' basis. Amounts paid by third party operators, who are subject to the financial reporting framework, have not been included in the Schedules.

Take in-kind payments

The Company has valued in-kind payments based on the cost to the Company, consistent with calculations made by the Company for financial reporting purposes.

Excluded payments

Certain payments made to governments which are not related to the commercial extraction of oil and natural gas resources have been excluded from the Schedules, as described in the Financial Reporting Framework.