



**TRILOGY ENERGY CORP.**

Calgary, Alberta

July 6, 2017

**NEWS RELEASE: TRILOGY ENERGY CORP. AGREES TO MERGE WITH  
PARAMOUNT RESOURCES LTD.**

**Trilogy Energy Corp.** (“**Trilogy**” or the “**Company**”) (TSX – TET) announces that it has agreed to merge with Paramount Resources Ltd. (“Paramount”). Under the merger, Paramount would acquire all of the common shares and non-voting shares of Trilogy not already owned by Paramount in exchange for Class A common shares of Paramount on the basis of one Paramount share for every 3.75 Trilogy shares.

Paramount today announced that it has also entered into an agreement to acquire Apache Canada Ltd. Details on that transaction and the effect of the two transactions on Paramount are contained in Paramount’s news release. The merger with Paramount is conditional upon, among other things, Paramount completing the acquisition of Apache Canada.

“This transaction will provide Trilogy shareholders with the opportunity to participate in a larger, well-capitalized entity that is well positioned to develop the combined portfolio of exceptional Montney and Duvernay resource play developments”, said Jim Riddell, Trilogy’s Chief Executive Officer.

Paramount owns approximately 15% of the common shares and non-voting shares of Trilogy and Clayton H. Riddell is the principal shareholder and Chairman of both Paramount and Trilogy. The boards of directors of Trilogy and Paramount each established special committees of independent directors to consider and make a recommendation with respect to the merger. The Trilogy special committee engaged Raymond James Ltd. as its financial advisor and Stikeman Elliott LLP as its legal advisor to assist with its review. The Trilogy and Paramount special committees jointly engaged Deloitte LLP (“Deloitte”) as independent valuator to provide certain financial advisory services in respect of the transaction, including the preparation of formal valuations of the Trilogy shares and the Paramount shares in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”). The Trilogy and Paramount special committees each recommended approval of the merger to their respective boards of directors. Prior to making their recommendations, the special committees received from Deloitte its valuation conclusions for each of Trilogy and Paramount. In addition, the special committees were provided by Deloitte with a verbal opinion indicating that the proposed issuance by Paramount of one Paramount share for every 3.75 outstanding shares of Trilogy is fair, from a financial point of view, to the shareholders of both Paramount and Trilogy. Clayton H. Riddell has advised that he supports the merger.

The merger is to be effected by way of an arrangement under the *Business Corporations Act* (Alberta). The merger is subject to shareholder and court approvals, including the minority shareholder approval required by MI 61-101 by the shareholders of each of Trilogy and Paramount, and the fulfilment of other conditions that are typical for transactions of this nature. A joint information circular for the special meetings of shareholders of Trilogy and Paramount to consider the merger is expected to be mailed in August 2017. The special meetings of shareholders are expected to be held in September 2017. If all approvals are received, and other closing conditions satisfied, the merger is expected to be completed in September 2017. The arrangement agreement for the merger will be filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

Upon completion of the Merger, Paramount will have approximately 134.7 million shares outstanding (140.2 million shares on a fully diluted basis), based on the currently outstanding shares of Paramount and Trilogy, and Clayton H. Riddell will beneficially own or control, directly or indirectly, approximately 44% of the outstanding shares of Paramount.

The outstanding high yield notes of Trilogy will remain outstanding following completion of the merger. The merger will not trigger any change of control payments. Following the merger, the outstanding Trilogy options will entitle the holders to acquire Paramount shares rather than Trilogy shares at an adjusted exercise price, based on the exchange ratio for the merger.

In connection with the Trilogy special committee's evaluation of the merger, Trilogy's independent reserves evaluator, McDaniel & Associates Consultants Ltd. ("McDaniel"), updated the Company's reserves evaluation to June 1, 2017 to incorporate the results of the 2017 drilling program, recent production information and recent dispositions. The following summarizes Trilogy's reserves and the net present value of estimated future net revenue before tax of Trilogy's reserves as of June 1, 2017 as derived from the updated McDaniel evaluation.

	<b>Proved<sup>(1)</sup></b>	<b>Proved Plus Probable<sup>(1)</sup></b>
Natural gas (Bcf)	<b>347.2</b>	<b>595.3</b>
NGLs (MBbl) <sup>(2)</sup>	<b>19,531</b>	<b>40,218</b>
Light and medium crude oil (MBbl)	<b>15,837</b>	<b>25,629</b>
<b>Total (MBoe)</b>	<b>93,238</b>	<b>165,059</b>

(1) Reserves evaluated by McDaniel in accordance with National Instrument 51-101 definitions, standards and procedures. Working interest reserves before royalty deductions.

(2) NGLs means ethane, propane, butane, pentanes plus and condensate.

(\$ millions)	<b>Undiscounted<sup>(1)</sup></b>	<b>Discounted at 10%<sup>(1)</sup></b>
<b>Total Proved</b>	<b>1,482.9</b>	<b>835.9</b>
Total Probable	1,705.6	765.2
<b>Total Proved plus Probable</b>	<b>3,188.5</b>	<b>1,601.1</b>

(1) The estimated net present values of future net revenue disclosed in this document do not represent fair market value. Revenues and expenditures were calculated based on McDaniel's forecast prices and costs as of April 1, 2017.

Raymond James Ltd. is acting as financial advisor and Stikeman Elliott LLP is acting as legal advisor to the Trilogy special committee. Peters & Co. Limited is acting as financial advisor and Burnet, Duckworth & Palmer LLP is acting as legal advisor to the Paramount special committee. Norton Rose Fulbright is acting as company counsel for Paramount and Trilogy.

## **About Trilogy**

Trilogy is a petroleum and natural gas-focused Canadian energy corporation that actively develops produces and sells natural gas, crude oil and natural gas liquids. Trilogy's geographically concentrated assets are primarily high working interest properties that provide abundant low-risk infill drilling opportunities and good access to infrastructure and processing facilities, many of which are operated and

controlled by Trilogy. Trilogy's common shares are listed on the Toronto Stock Exchange under the symbol "TET".

For further information, please contact:

J.H.T. (Jim) Riddell, Chief Executive Officer  
J.B. (John) Williams, President and Chief Operating Officer  
M.G. (Mike) Kohut, Chief Financial Officer

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### **Forward Looking Information**

This news release contains "forward-looking statements" including anticipated timing of various matters relating to the completion of the transactions contemplated by the merger. Readers are cautioned not to place undue reliance on forward-looking statements. Actual results and developments may differ materially from those contemplated by these statements depending on, among other things, the risks associated with the completion of the transactions contemplated by the merger and the timing and receipt of required shareholder, court, regulatory and other approvals and satisfaction of conditions to the arrangement. Statements regarding "reserves" may constitute forward-looking statements under applicable securities legislation, including statements regarding estimates of reserves and the discounted present value of future net revenue therefrom. Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. Assumptions have been made regarding, among other things: future crude oil, natural gas, condensate, NGLs and other commodity pricing and supply. Although Trilogy believes that the expectations reflected in such statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Trilogy can give no assurance that such expectations will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Trilogy and described in the forward-looking statements or information. The forward-looking statements contained herein are made at the date of this document and the Company does not undertake any obligation to update publicly or revise any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

### **Oil and Gas Advisory**

This news release contains disclosure expressed as "MBoe". All oil and natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil (6:1). Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For Q1 2017, the ratio between Trilogy's average realized oil price and the average realized natural gas price was approximately 20:1 ("Value Ratio"). The Value Ratio is obtained using the Q1 2017 average realized oil price of \$61.36 (CAD\$/Bbl) and the Q1 2017 average realized natural gas price of \$3.09 (CAD\$/Mcf). This Value Ratio is significantly different from the energy equivalency ratio of 6:1 and using a 6:1 ratio would be misleading as an indication of value.

All reserves information in this news release is gross reserves. Gross reserves means Trilogy's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interest of Trilogy. Reserves estimates are based on the independent engineering evaluation prepared by McDaniel & Associates Consultants Ltd. dated June 13, 2017, evaluating Trilogy's crude oil, natural gas and natural gas liquids reserves effective as of June 1, 2017.