

Paramount Resources Ltd. (“Paramount”) completed a spinout transaction, by way of a Plan of Arrangement (the “Plan”) relating to its northern exploratory assets on January 12, 2007. This transaction resulted in the creation of MGM Energy Corp. (“MGM”). Details with respect to this transaction are contained in the Information Circular dated December 8, 2006 (the “Circular”), which is available on Paramount’s website and on the Canadian System for Electronic Document Analysis and Retrieval (“SEDAR”) website at [www.sedar.com](http://www.sedar.com).

As a result of this transaction, each Paramount shareholder (“Shareholder”) received 1 MGM common share for every 25 Paramount common shares. As described in the section of the Circular entitled *Certain Canadian Federal Income Tax Considerations* and subject to the various assumptions and limitations set out therein, the aggregate adjusted cost base (“ACB”) of the MGM shares received by a Shareholder should be equal to the aggregate ACB of the Paramount common shares held by the Shareholder immediately prior to the transaction multiplied by the Exchange Fraction. The ACB of the Paramount common shares held by the Shareholder immediately after the transaction should be reduced by the ACB attributable to the MGM shares received.

Paramount has determined the Exchange Fraction to be **0.009956**.

#### Example

##### *Assumptions:*

Paramount Common Shares Held on January 12, 2007	10,000
MGM Common Shares Received (10,000 / 25)	400
Aggregate ACB of Paramount Common Shares on January 12, 2007	\$200,000

##### *Calculation of New ACBs:*

Aggregate ACB of MGM Common Shares Received (\$200,000 x 0.009956)	\$1,991.20
Aggregate ACB of Paramount Common Shares Held After Spinout (\$200,000 - \$1,991.20)	\$198,008.80

In addition, each Shareholder received 5 Warrant Units for each MGM share received. As described in the section of the Circular entitled *Certain Canadian Federal Income Tax Considerations* and subject to the various assumptions and limitations set out therein, the Warrant Units received pursuant to the Plan should have an ACB of nil.

All capitalized words and expressions referred to herein which are not defined within this document have the same meaning given them in the Circular.