2023 Annual Results

Paramount Resources Ltd. Announces 2023 Annual Results, Non-Core Asset Disposition and Revised 2024 Guidance

Calgary, Alberta – March 6, 2024

Paramount Resources Ltd. ("Paramount" or the "Company") (TSX:POU) is pleased to announce its 2023 annual financial and operating results, highlighted by record production, and a $47 million non-core asset disposition. The Company is also providing a production update and revised 2024 guidance.

2023 HIGHLIGHTS

- The Company achieved record annual sales volumes of 96,393 Boe/d (46% liquids) in 2023. Sales volumes in the fourth quarter were 101,348 Boe/d (46% liquids), of which 72,860 Boe/d (51% liquids) was produced in the Grande Prairie Region. [(1)]
- Cash from operating activities was $938 million ($6.56 per basic share) in 2023 and $287 million ($1.99 per basic share) in the fourth quarter. [(2)]
- Adjusted funds flow was $965 million ($6.75 per basic share) in 2023 and $284 million ($1.97 per basic share) in the fourth quarter. [(2)]
- Capital expenditures totaled $732 million in 2023, which were largely directed to the Grande Prairie Region Montney development and the Kaybob North and Willesden Green Duvernay developments.
- Asset retirement obligation settlements totaled $55 million in 2023, which included the abandonment of 82 wells and reclamation of 113 sites.
- Free cash flow was $168 million ($1.18 per basic share) in 2023 and $60 million ($0.41 per basic share) in the fourth quarter. [(2)]
- Paramount returned $355 million to shareholders in 2023 comprised of $1.50 per share in regular monthly cash dividends and a special cash dividend of $1.00 per share.
- The Company realized total cash proceeds of approximately $45 million in the fourth quarter from the previously disclosed termination and close out of its 2024 NYMEX WTI swaps.

---

(1) In this press release, "liquids" refers to NGLs (including condensate) and oil combined, "natural gas" refers to shale gas and conventional natural gas combined, "condensate and oil" refers to condensate, light and medium crude oil, tight oil and heavy crude oil combined and "Other NGLs" refers to ethane, propane and butane. See the "Product Type Information" section for a complete breakdown of sales volumes for applicable periods by the specific product types of shale gas, conventional natural gas, NGLs, light and medium crude oil, tight oil and heavy crude oil. See also "Oil and Gas Measures and Definitions" in the Advisories section.

(2) Adjusted funds flow and free cash flow are capital management measures used by Paramount. Cash from operating activities per basic share, adjusted funds flow per basic share and free cash flow per basic share are supplementary financial measures. Refer to the "Specified Financial Measures" section for more information on these measures.

- At December 31, 2023, net debt was $60 million and Paramount's $1.0 billion revolving credit facility was undrawn. (1)
- The carrying value of the Company's investments in securities at December 31, 2023 was $541 million. Paramount received total cash dividends of $8 million in 2023 from these investments.

2023 RESERVES

- At December 31, 2023, the Company's: (2)
  - proved developed producing ("PDP") reserves were 165 MMBoe with an NPV_{10} of approximately $2.1 billion ($14.57 per basic share);
  - total proved ("TP") reserves were 415 MMBoe with an NPV_{10} of approximately $4.5 billion ($31.60 per basic share); and
  - proved plus probable ("P+P") reserves were 761 MMBoe with an NPV_{10} of approximately $7.9 billion ($55.04 per basic share).
- Paramount's reserves replacement ratios in 2023 were 1.4x for PDP reserves, 1.2x for TP reserves and 2.8x for P+P reserves. (3)
- The Company's 2023 and three-year average F&D costs and recycle ratios are as follows: (4)

	2023		Three-Year Average	
	F&D Costs ($/Boe)	**Recycle Ratio**	**F&D Costs ($/Boe)**	**Recycle Ratio**
PDP	$16.58	1.6x	$10.89	3.0x
TP	$16.96	1.6x	$12.39	2.6x
P+P	$12.52	2.2x	$10.57	3.1x

- Dispositions in 2023 resulted in reductions to the Company's PDP reserves of 8.4 MMBoe, TP reserves of 35.6 MMBoe and P+P reserves of 59.8 MMBoe.

NON-CORE ASSET DISPOSTION

The Company sold certain non-core assets in the Kaybob Region in February 2024 for cash proceeds of approximately $47 million and has retained a 2% no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets (the "2024 Kaybob Disposition"). Paramount had previously forecast these assets to generate approximately 1,000 Boe/d of average annual sales volumes for 2024.

CORPORATE UPDATE

- In the fourth quarter of 2023, Paramount brought on production a total of eleven (11.0 net) wells in the Grande Prairie Region, consisting of a three well pad in Karr and an eight well pad in Wapiti.
- In December, the Company successfully commissioned the liquids handling expansion of its Leafland natural gas processing plant at Willesden Green. The expansion was completed on budget and ahead of the originally scheduled January 2024 startup. The plant now has raw handling capacity of approximately 6,000 Bbl/d of liquids and 22 MMcf/d of natural gas.

---

(1) Net (cash) debt is a capital management measure used by Paramount. This capital management measure has been expressed as net debt in this instance for simplicity as the amount referenced is a positive number. Refer to the "Specified Financial Measures" section for more information on this measure.

(2) All reserves are gross reserves based on an evaluation prepared by McDaniel & Associates Consultants Ltd. ("McDaniel") dated March 5, 2024 and effective December 31, 2023 (the "McDaniel Report"). "NPV_{10}" refers to the before tax net present value of future net revenue of the applicable reserves, discounted at 10 percent, as estimated in the McDaniel Report. Such value does not represent fair market value. Readers are referred to the advisories concerning "Reserves Data".

(3) See "Oil and Gas Measures and Definitions" in the Advisories section of this document for a description of the calculation and use of reserves replacement ratio.

(4) F&D costs and recycle ratio are non-GAAP ratios. Refer to the "Specified Financial Measures" section and "Oil and Gas Measures and Definitions" in the Advisories section for more information on these measures and on the related non-GAAP financial measure of F&D capital.

- Paramount completed all four (4.0 net) Willesden Green Duvernay wells from its 2023 development program in early December. These wells are all now on production and have exhibited strong results. Three of the wells averaged gross 30-day peak production per well of 1,873 Boe/d (4.1 MMcf/d of shale gas and 1,195 Bbl/d of NGLs) with an average CGR of 294 Bbl/MMcf. The fourth well has produced for 27 days and is exhibiting a similar production profile. [(1)]
- The Company recently commenced construction of its second natural gas processing facility at Willesden Green, with start-up anticipated in the fourth quarter of 2025. This first phase of the new facility will provide an estimated raw handling capacity of 10,000 Bbl/d of liquids and 50 MMcf/d of natural gas.
- All six (6.0 net) Kaybob North Duvernay wells that were drilled in 2023 were recently brought on production and have exhibited strong initial production rates.

PRODUCTION UPDATE AND REVISED 2024 GUIDANCE

Paramount is revising its forecast of 2024 sales volumes to a range of 100,000 Boe/d to 106,000 Boe/d (47% liquids), 9,000 Boe/d lower at the midpoint than prior guidance of 108,000 Boe/d to 116,000 Boe/d (47% liquids).

The significant factors contributing to the revision are described below.

- The 2024 Kaybob Disposition completed in February has reduced forecast 2024 average sales volumes by approximately 1,000 Boe/d.
- Paramount has shut-in dry gas production due to the current natural gas price environment, reducing forecast 2024 average sales volumes by approximately 2,250 Boe/d. The Company continues to closely monitor market conditions and may restore or further reduce production as conditions warrant.
- Sales volumes were approximately 95,000 Boe/d (46% liquids) in January and 103,000 Boe/d (48% liquids) in February based on field estimates, approximately 14,000 Boe/d lower on average across the two months than expected. Cold weather in January resulted in a number of significant production upsets, particularly in the Grande Prairie Region. In addition, production was impacted by intermittent run time at key facilities, an unplanned pipeline outage in the Karr field that shut-in approximately 4,000 Boe/d of production for two weeks and the outage of a water disposal well in the Grande Prairie Region that will continue until the third quarter of 2024.
- 2024 production expectations from the five (5.0 net) well Karr 7-33S pad that was brought onstream in the third quarter of 2023 have been downwardly revised by approximately 3,500 Boe/d (55% liquids). Early production from the wells significantly exceeded type curve expectations and the prior guidance forecasted continued outperformance. The wells, which paid out in approximately three months of being brought onstream, are now performing in line with type curve expectations and the Company has reduced forecast sales volumes for the pad accordingly.
- The Company has benefited from strong new well performance in the Grande Prairie Region in growing its production base and maximizing netbacks, leading to the optimization of production from mature wells being deferred. There are currently 31 wells shut-in and 13 wells that would benefit from intervention in the Grande Prairie Region. The Company will incur incremental operating expenditures to pursue an aggressive well optimization program beginning in 2024 to increase

(1) 30-day peak production is the highest daily average production rate for each well, measured at the wellhead, over a rolling 30-day period, excluding days when the well did not produce. Natural gas sales volumes were lower by approximately 8% and liquids sales volumes were lower by approximately 20% due to shrinkage. The production rates and volumes stated are over a short period of time and, therefore, are not necessarily indicative of average daily production, long-term performance or of ultimate recovery from the wells. CGR means condensate to gas ratio and is calculated by dividing raw wellhead liquids volumes by raw wellhead natural gas volumes. See "Oil and Gas Measures and Definitions" in the Advisories section.

production from these wells, the full benefit of which has not been incorporated into the revised 2024 sales volume forecast.

- In total, Grande Prairie Region sales volumes are forecast to be approximately 6,000 Boe/d lower in 2024, primarily as a result of the revised Karr 7-33S pad production, earlier than anticipated tubing installations on certain wells at Karr due to higher than expected CGRs and the rescheduling of the 21-day outage at the third-party Wapiti natural gas processing plant from May to September.
- The Company has increased forecasted sales volumes by a total of 1,500 Boe/d in the Kaybob Region and Central Alberta and Other Region, largely due to better than expected Duvernay results.

The table below summarizes significant factors contributing to the revision in Paramount's 2024 sales volumes guidance at the midpoint:

	Midpoint Annual Average Sales Volumes (Boe/d)
Prior 2024 guidance	112,000
2024 Kaybob Disposition	-1,000
Dry gas production shut-ins	-2,250
January and February sales volumes lower than forecast	-1,250
Revisions to Grande Prairie Region forecast	-6,000
Revisions to Kaybob and Central Alberta and Other Region forecasts	+1,500
Revised 2024 guidance	**103,000**

The Company is updating its forecast of 2024 free cash flow to approximately $235 million from $350 million to reflect revised midpoint 2024 forecast sales volumes of 103,000 Boe/d (47% liquids) and updated operating cost, royalty and other assumptions. Free cash flow does not include the $47 million cash proceeds from the 2024 Kaybob Disposition.

	Prior 2024 Guidance	**Revised 2024 Guidance**
WTI	US$80.00/Bbl	No change
NYMEX	US$3.50/MMBtu	
AECO	$2.84/GJ	
Annual average sales volumes (Boe/d)	108,000 to 116,000 (47% liquids)	100,000 to 106,000 (47% liquids)
First half 2024 (Boe/d)	101,000 to 111,000 (46% liquids)	96,000 to 100,000 (47% liquids)
Second half 2024 (Boe/d)	115,000 to 121,000 (47% liquids)	104,000 to 112,000 (47% liquids)
Capital expenditures	$830 to $890 million	No change
Sustaining and Maintenance	$415 to $445 million	
Growth	$415 to $445 million	
Abandonment and reclamation expenditures	$40 million	
Free cash flow (1)	$350 million	$235 million

The Company's midpoint 2024 capital program, abandonment and reclamation expenditures and regular monthly dividend is fully funded under the above forecast. The Company's midpoint 2024 sustaining and maintenance capital program, abandonment and reclamation expenditures and regular monthly dividend would remain fully funded down to an average WTI price in 2024 of about US$61/Bbl, assuming no changes

(1) Free cash flow is a capital management measure used by Paramount. Refer to "Advisories - Specified Financial Measures" for more information on this measure. The stated free cash flow forecast is based on the following assumptions for 2024: (i) the midpoint of stated capital expenditures and sales volumes, (ii) $40 million in abandonment and reclamation costs, (iii) $10 million in geological and geophysical expenses, (iv) realized pricing of $56.90/Boe (reflecting changes to production mix); (v) a $US/$CAD exchange rate of $0.735, (vi) royalties of $8.35/Boe, (vii) operating costs of $12.90/Boe and (vii) transportation and NGLs processing costs of $3.85/Boe. For comparative purposes, the previous 2024 free cash flow forecast utilized the following differing assumptions as to the following factors: (i) $7 million in geological and geophysical expenses, (ii) realized pricing of $56.40/Boe, (iii) royalties of $8.80/Boe, (iv) operating costs of $12.05/Boe and (v) transportation and NGLs processing costs of $3.70/Boe.

to the other forecast assumptions. See "Advisories – Pricing Sensitivity" for additional sensitivities of 2024 free cash flow to changes in commodity price assumptions.

MARCH DIVIDEND

Paramount's Board of Directors has declared a cash dividend of $0.125 per class A common share that will be payable on March 28, 2024 to shareholders of record on March 15, 2024. The dividend will be designated as an "eligible dividend" for Canadian income tax purposes.

ANNUAL GENERAL MEETING

Paramount will hold its annual general meeting of shareholders on Thursday, May 2, 2024 at 10:30 am (Calgary time) in the Bankers Hall Auditorium located at 315 - 8th Avenue S.W., Calgary, Alberta.

COMPLETE ANNUAL RESULTS

Paramount's: (i) complete annual results, including a review of operations, the Company's audited consolidated financial statements as at and for the year ended December 31, 2023 (the "Consolidated Financial Statements") and the accompanying management's discussion and analysis (the "MD&A"); and (ii) 2023 annual information form, which contains additional important information concerning the Company's reserves, properties and operations, can be obtained on SEDAR+ at www.sedarplus.ca or on Paramount's website at www.paramountres.com/investors/financial-shareholder-reports.

A summary of historical financial and operating results is also available on Paramount's website at www.paramountres.com/investors/financial-shareholder-reports.

FINANCIAL AND OPERATING RESULTS [(1)]

($ millions, except as noted)	Three months ended December 31				Year ended December 31			
	2023		2022		2023		2022	
Net income	111.9		259.9		470.2		680.6	
per share – basic ($/share)	*0.78*		*1.83*		*3.29*		*4.83*	
per share – diluted ($/share)	*0.75*		*1.76*		*3.17*		*4.63*	
Cash from operating activities	287.0		306.9		938.2		1,049.6	
per share – basic ($/share)	*1.99*		*2.17*		*6.56*		*7.45*	
per share – diluted ($/share)	*1.93*		*2.08*		*6.32*		*7.14*	
Adjusted funds flow	284.1		340.7		965.3		1,171.0	
per share – basic ($/share)	*1.97*		*2.40*		*6.75*		*8.32*	
per share – diluted ($/share)	*1.91*		*2.31*		*6.51*		*7.97*	
Free cash flow	59.7		162.0		168.4		471.1	
per share – basic ($/share)	*0.41*		*1.14*		*1.18*		*3.35*	
per share – diluted ($/share)	*0.40*		*1.10*		*1.13*		*3.20*	
Total assets					4,388.7		4,337.3	
Investments in securities					540.9		557.1	
Long-term debt					–		159.4	
Net (cash) debt					59.6		161.2	
Common shares outstanding *(millions)* (2)					144.2		142.0	
Sales volumes (3)								
Natural gas (MMcf/d)	326.2		321.9		315.1		294.7	
Condensate and oil (Bbl/d)	40,290		37,580		37,657		33,908	
Other NGLs (Bbl/d)	6,698		6,143		6,226		5,650	
Total (Boe/d)	101,348		97,370		96,393		88,672	
% liquids	*46%*		*45%*		*46%*		*45%*	
Grande Prairie Region (Boe/d)	72,860		64,434		70,943		58,519	
Kaybob Region (Boe/d)	20,324		24,477		17,449		22,730	
Central Alberta & Other Region (Boe/d)	8,164		8,459		8,001		7,423	
Total (Boe/d)	101,348		97,370		96,393		88,672	
Netback		*$/Boe* (4)		*$/Boe* (4)		*$/Boe* (4)		*$/Boe* (4)
Natural gas revenue	83.7	*2.79*	194.2	*6.56*	349.1	*3.04*	671.1	*6.24*
Condensate and oil revenue	363.7	*98.12*	375.1	*108.50*	1,364.2	*99.25*	1,448.9	*117.07*
Other NGLs revenue	22.2	*36.00*	27.3	*48.25*	81.9	*36.06*	114.2	*55.37*
Royalty income and other revenue	0.9	–	1.1	–	3.3	–	18.2	–
Petroleum and natural gas sales	470.5	*50.46*	597.7	*66.72*	1,798.5	*51.12*	2,252.4	*69.60*
Royalties	(68.9)	*(7.39)*	(84.4)	*(9.43)*	(254.3)	*(7.23)*	(335.3)	*(10.36)*
Operating expense	(126.4)	*(13.56)*	(119.2)	*(13.31)*	(453.8)	*(12.90)*	(407.1)	*(12.58)*
Transportation and NGLs processing	(33.2)	*(3.56)*	(27.2)	*(3.03)*	(134.4)	*(3.82)*	(123.7)	*(3.82)*
Sales of commodities purchased (5)	50.2	*5.38*	102.7	*11.47*	255.1	*7.25*	272.0	*8.41*
Commodities purchased (5)	(47.4)	*(5.08)*	(100.4)	*(11.21)*	(250.2)	*(7.11)*	(267.0)	*(8.25)*
Netback	244.8	*26.25*	369.2	*41.21*	960.9	*27.31*	1,391.3	*43.00*
Risk management contract settlements	43.0	*4.61*	(23.0)	*(2.57)*	46.7	*1.33*	(179.0)	*(5.53)*
Netback including risk management contract settlements	287.8	*30.86*	346.2	*38.64*	1,007.6	*28.64*	1,212.3	*37.47*
Capital expenditures								
Grande Prairie Region	75.8		135.8		380.3		453.3	
Kaybob Region	64.5		11.4		190.4		131.2	
Central Alberta and Other Region	61.7		1.0		120.0		2.1	
Fox Drilling and Cavalier Energy	3.9		12.1		29.2		27.7	
Corporate	3.0		9.3		12.2		40.7	
Total	208.9		169.6		732.1		655.0	
Asset retirement obligations settled	12.8		7.0		54.6		36.1	

(1) Adjusted funds flow, free cash flow and net (cash) debt are capital management measures used by Paramount. Netback and netback including risk management contract settlements are non-GAAP financial measures. Netback and Netback including risk management contract settlements presented on a $/Boe or $/Mcf basis are non-GAAP ratios. Each measure, other than net income, that is presented on a per share, $/Mcf or $/Boe basis is a supplementary financial measure. Refer to "Specified Financial Measures".
(2) Common shares are presented net of shares held in trust under the Company's restricted share unit plan: 2023: 0.4 million, 2022: 0.8 million.
(3) Refer to the Product Type Information section of this document for a complete breakdown of sales volumes for applicable periods by specific product type.
(4) Natural gas revenue presented as $/Mcf.
(5) Sales of commodities purchased and commodities purchased are treated as corporate items and not allocated to individual regions or properties.

REVIEW OF OPERATIONS

In 2023, the Company:

- Achieved record annual sales volumes of 96,393 Boe/d (46% liquids), an increase of 9% from 2022, despite production being impacted by 3,700 Boe/d from dispositions completed in early 2023 and 3,300 Boe/d from the Alberta wildfires.
- Increased Grande Prairie Region annual sales volumes by 21% to an average of 70,943 Boe/d (51% liquids), representing 74% of total Company sales volumes.
- Increased sales volumes in the fourth quarter to an average of 101,348 Boe/d (46% liquids).
- Drilled 55 (50.9 net) wells, brought 44 (40.5 net) wells on production and completed the liquids handling expansion of its Leafland natural gas processing plant.
- Directed $55 million toward the settlement of asset retirement obligations, including the abandonment of 82 wells and reclamation of 113 sites.
- Completed the replacement of 48 pneumatic chemical pumps, which is estimated to reduce vented methane emissions by approximately 2,200 tCO_2e per year.
- Realized cash proceeds of $370 million in January 2023 from the sale of its Kaybob Smoky and Kaybob South Duvernay properties and certain other minor interests in the Kaybob Region (the "2023 Kaybob Disposition").
- Repaid all outstanding balances on its $1.0 billion revolving credit facility and reduced net debt to $60 million as of December 31, 2023.
- Paid $2.50 per class A common share ("Common Share") in cash dividends to shareholders, including a special cash dividend of $1.00 per Common Share in January 2023.

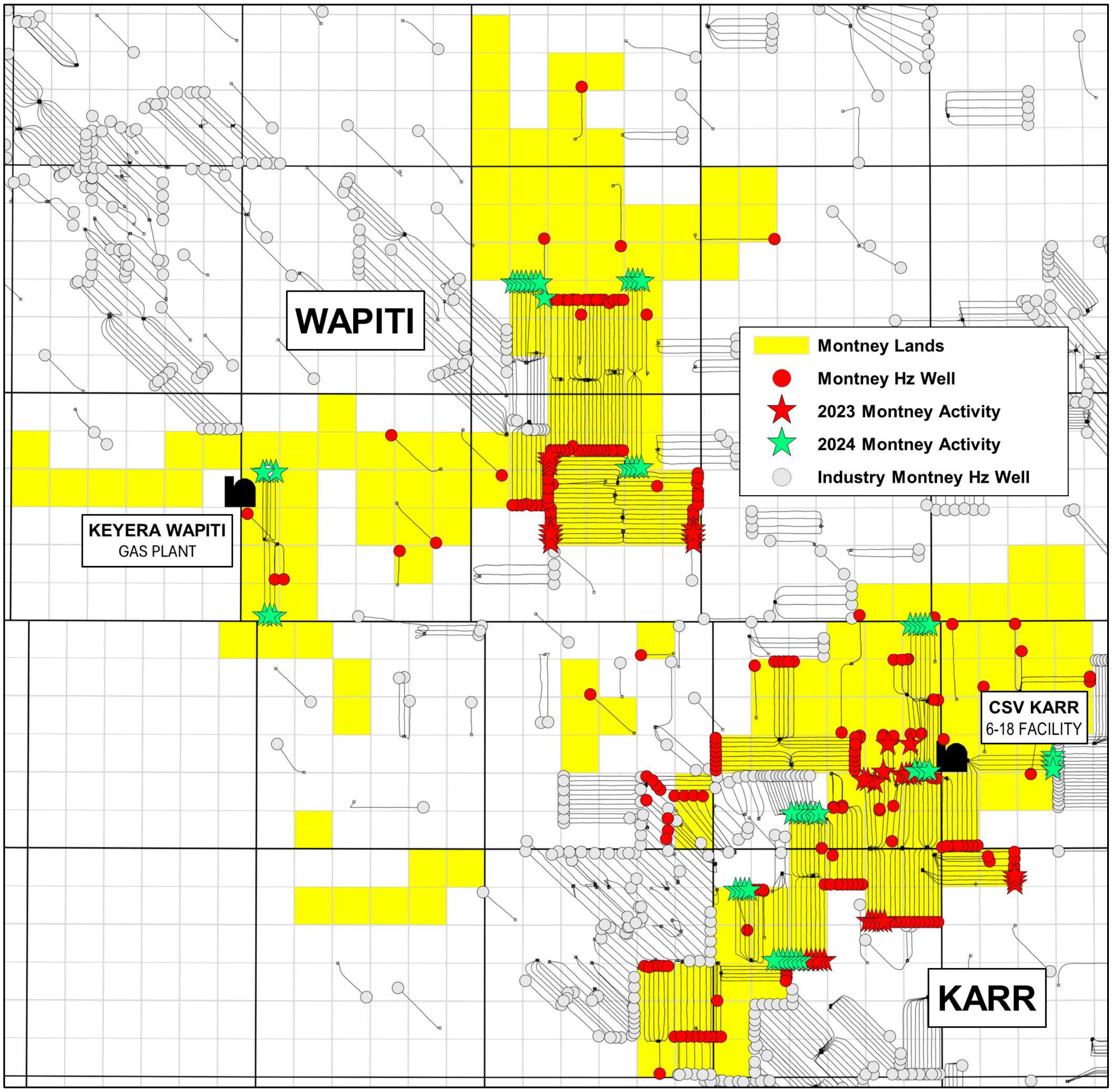
Capital expenditures in 2023, which were largely directed to the Grande Prairie Region Montney developments and Kaybob North and Willesden Green Duvernay developments, totaled $732 million. Capital expenditures in 2024 are expected to range between $830 million and $890 million, resulting in expected average 2024 sales volumes of between 100,000 Boe/d and 106,000 Boe/d (47% liquids).

Planned capital expenditures in 2024 will be focused on Paramount's Montney developments in the Grande Prairie Region and its Duvernay developments at Kaybob North and Willesden Green. Activities in the Grande Prairie Region and Kaybob North Duvernay area include the drilling and bringing on production of new wells. Planned activities at Willesden Green include the drilling and bringing on production of new wells and the construction of a new processing facility which is anticipated to start-up in the fourth quarter of 2025.

GRANDE PRAIRIE REGION

Development activities in the Grande Prairie Region are focused on the Karr and Wapiti properties, located south of the city of Grande Prairie, Alberta, in the over-pressured liquids-rich Deep Basin Montney trend. At December 31, 2023, Paramount held approximately 109,000 net acres of Montney rights at Karr and Wapiti.

The map below highlights the Company's Montney land position and planned activities at Karr and Wapiti.



Grande Prairie Region sales volumes and netbacks are summarized below:

	Three months ended December 31				Year ended December 31			
	2023		2022		**2023**		2022	
Sales volumes								
Natural gas (MMcf/d)	**214.4**		189.9		**209.7**		168.2	
Condensate and oil (Bbl/d)	**32,382**		29,146		**31,585**		27,099	
Other NGLs (Bbl/d)	**4,742**		3,631		**4,414**		3,394	
Total (Boe/d)	**72,860**		64,434		**70,943**		58,519	
% liquids	***51%***		*51%*		***51%***		*52%*	
Netback [1]	($ millions)	*($/Boe)*	($ millions)	*($/Boe)*	($ millions)	*($/Boe)*	($ millions)	*($/Boe)*
Natural gas revenue [2]	**56.2**	***2.85***	125.4	*7.18*	**234.5**	***3.06***	402.5	*6.56*
Condensate and oil revenue	**295.0**	***99.00***	293.9	*109.60*	**1,151.1**	***99.84***	1,166.6	*117.95*
Other NGLs revenue	**16.1**	***36.95***	17.1	*51.22*	**60.1**	***37.31***	70.6	*56.94*
Royalty income and other revenue [3]	**0.1**	***–***	–	*–*	**0.4**	***–***	12.1	*–*
Petroleum and natural gas sales	**367.4**	***54.81***	436.4	*73.62*	**1,446.1**	***55.85***	1,651.8	*77.33*
Royalties	**(56.8)**	***(8.47)***	(66.4)	*(11.21)*	**(217.5)**	***(8.40)***	(261.2)	*(12.23)*
Operating expense	**(84.1)**	***(12.54)***	(69.9)	*(11.80)*	**(297.8)**	***(11.50)***	(247.6)	*(11.59)*
Transportation and NGLs processing	**(26.0)**	***(3.88)***	(22.1)	*(3.70)*	**(107.5)**	***(4.16)***	(93.1)	*(4.36)*
	200.5	***29.92***	278.0	*46.91*	**823.3**	***31.79***	1,049.9	*49.15*

(1) "Netback" is a Non-GAAP financial measure. When presented on a $/Boe or $/Mcf basis, each of the components of Netback is a supplementary financial measure and Netback is a non-GAAP ratio. Refer to the "Specified Financial Measures" section for more information on these measures.
(2) Per unit natural gas revenue presented as $/Mcf.
(3) Royalty income and other revenue for the year ended December 31, 2022 includes $11.9 million in business interruption insurance proceeds related to losses in prior years.

Grande Prairie Region sales volumes averaged 70,943 Boe/d (51% liquids) in 2023 compared to 58,519 Boe/d (52% liquids) in 2022. This increase was a result of new well production combined with increased capacity resulting from the infrastructure debottlenecking project that was completed early in the second quarter of 2023. In 2023, sales volumes were negatively impacted by planned and unplanned third-party gas processing plant curtailments and outages as well as wildfire related shutdowns and curtailments.

Capital expenditures in the Grande Prairie Region totaled $380 million in 2023. Development activities in the region during 2023 were focused on drilling a total of 33 (33.0 net) operated Montney wells (14 at Karr and 19 at Wapiti) and bringing onstream 35 (35.0 net) operated wells (22 at Karr and 13 at Wapiti).

In the fourth quarter of 2023, the Company completed and brought onstream three (3.0 net) wells in Karr and eight (8.0 net) wells in Wapiti and concluded the drilling of an eight (8.0 net) well pad in Wapiti. Drilling operations commenced at three pads in the Grande Prairie Region in the fourth quarter where a total of 15 (15.0 net) Montney wells will be drilled.

Final tie-ins at a new four well pad in Karr are now complete and all four wells are expected to be brought onstream through permanent facilities imminently. These wells are the Company's first in the Karr field to be configured as monobores, the benefits of which are expected to include lower capital costs and more efficient completion operations. Paramount plans to further utilize monobore configurations in Karr for geologically suitable locations.

Of the eight pads brought onstream in 2023 in the Grande Prairie Region, seven pads, representing a total of 33 wells, now have at least 30 days of production. Gross 30-day peak production per well averaged 1,920 Boe/d (4.7 MMcf/d of shale gas and 1,133 Bbl/d of NGLs) with an average CGR of 240 Bbl/MMcf.[(1)]

Paramount's 2024 plans in the Grande Prairie region are to drill a total of 40 (40.0 net) Montney wells (26 at Karr and 14 at Wapiti) and to bring onstream a total of 36 (36.0 net) Montney wells (21 at Karr and 15 at Wapiti). The Company anticipates operating a three-rig drilling program in the region over the first three quarters of 2024 and operating one rig at each of Karr and Wapiti in the fourth quarter. Paramount's 2024 plans in the Grande Prairie Region now include an aggressive well optimization program aimed at increasing production from its mature wells.

The Company's 2024 plans include the commencement of development activities in the western portion of the Wapiti field where a new compressor node is being constructed, with commissioning anticipated to occur in the third quarter of 2024. The planned 21-day outage related to the turnaround of the third-party Wapiti natural gas processing plant has been rescheduled from May to September 2024.

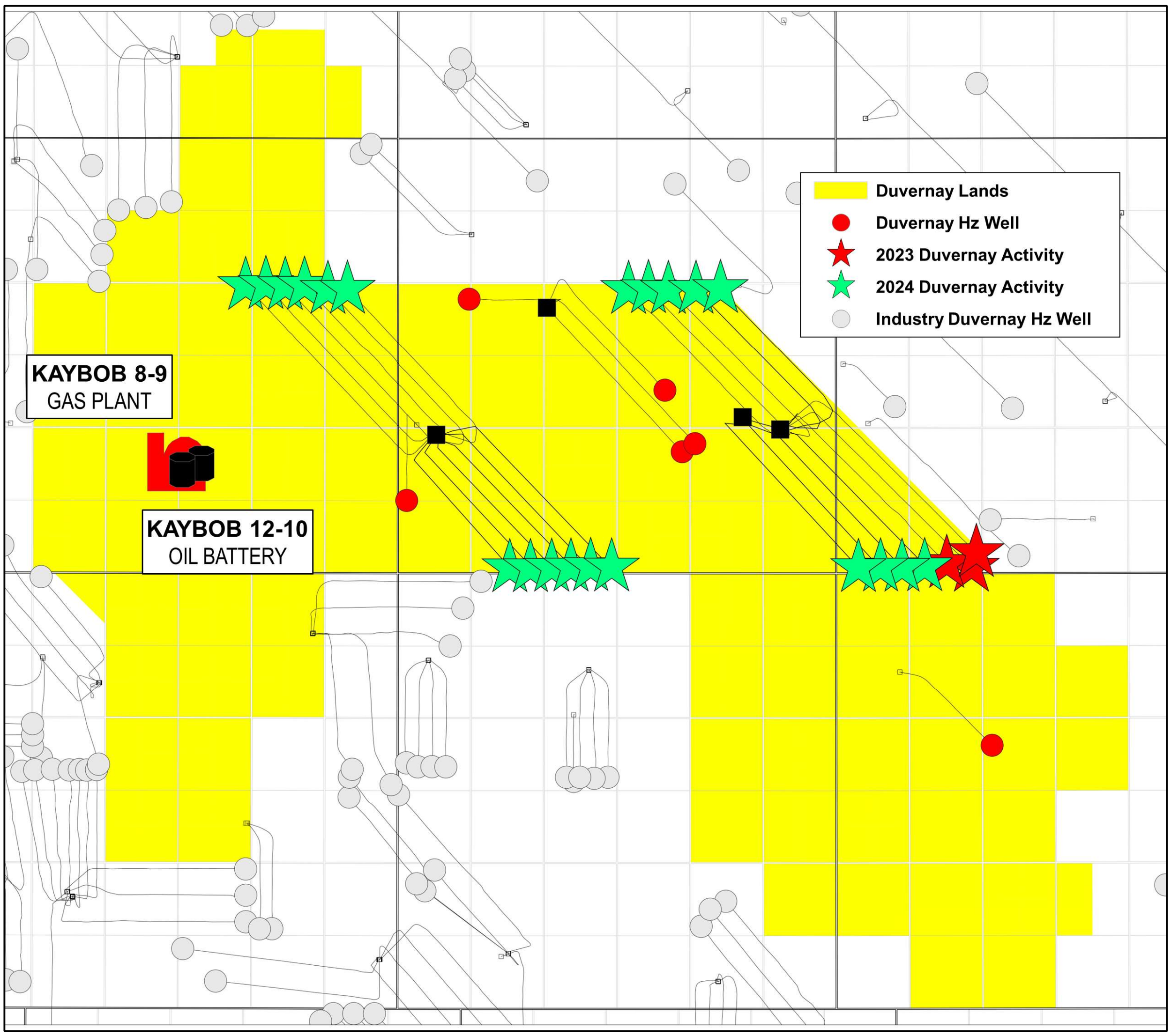
Capital expenditures in the Grande Prairie Region in 2024 are expected to be weighted towards the first half of the year, with approximately two-thirds of the full-year spend being incurred then. Over the first half of 2024, Paramount anticipates drilling 23 wells and bringing onstream 8 wells. In the second half of the year, the Company anticipates drilling 17 wells and bringing onstream 28 wells.

(1) 30-day peak production is the highest daily average production rate for each well, measured at the wellhead, over a rolling 30-day period, excluding days when the well did not produce. Natural gas sales volumes were lower by approximately 10% and liquids sales volumes were lower by approximately 6% due to shrinkage. The production rates and volumes stated are over a short period of time and, therefore, are not necessarily indicative of average daily production, long-term performance or of ultimate recovery from the wells. CGR means condensate to gas ratio and is calculated by dividing raw wellhead liquids volumes by raw wellhead natural gas volumes. See "Oil and Gas Measures and Definitions" in the Advisories section.

KAYBOB REGION

The Kaybob Region, located in west-central Alberta, includes the Kaybob North Duvernay development and other natural gas and oil producing properties. The Company held 124,000 net acres of Duvernay rights at December 31, 2023 and, after the 2024 Kaybob Disposition, 190,000 net acres of Montney rights. Paramount also owns and operates extensive processing and gathering infrastructure in the region.

Development activities in the Kaybob Region are currently focused on the Kaybob North Duvernay property. The map below highlights the Company's Kaybob North Duvernay land position and planned 2024 activities.



Kaybob Region sales volumes averaged 17,449 Boe/d (31% liquids) in 2023 compared to 22,730 Boe/d (31% liquids) in 2022. The decrease in sales volumes was primarily attributable to the 2023 Kaybob Disposition and the impact of the Alberta wildfires.

Capital expenditures in the Kaybob Region totaled $190 million in 2023. Development activities included the drilling of 10 (10.0 net) Duvernay wells and the bringing on production of 3 (3.0 net) Duvernay wells at Kaybob North.

In the Kaybob North Duvernay area, six (6.0 net) wells that were drilled in 2023 were recently brought on production and have exhibited strong initial production rates. Better than expected results from the Company's Duvernay wells has contributed to an increase in annual forecast sales volumes in the Kaybob Region in 2024.

Paramount has shut-in dry gas wells in the Kaybob Region due to low natural gas prices. The Company continues to closely monitor market conditions and may restore or further reduce production as conditions warrant.

In 2024, Paramount plans to continue to advance the development of its Kaybob North Duvernay asset by drilling a total of 14 (14.0 net) wells and bringing onstream 17 (17.0 net) wells. The Company also plans to further enhance its existing Kaybob North infrastructure in 2024 to support future Duvernay development through the addition of gas gathering compression and pipelines as well as the completion of various facility upgrades.

Capital expenditures in the Kaybob Region in 2024 are expected to be modestly first half weighted with approximately 60 percent of full-year spend being incurred then. Over the first half of 2024, Paramount anticipates drilling 9 (9.0 net) wells and bringing onstream 6 (6.0 net) wells. In the second half of the year, the Company anticipates drilling 5 (5.0 net) wells and bringing onstream 11 (11.0 net) wells.

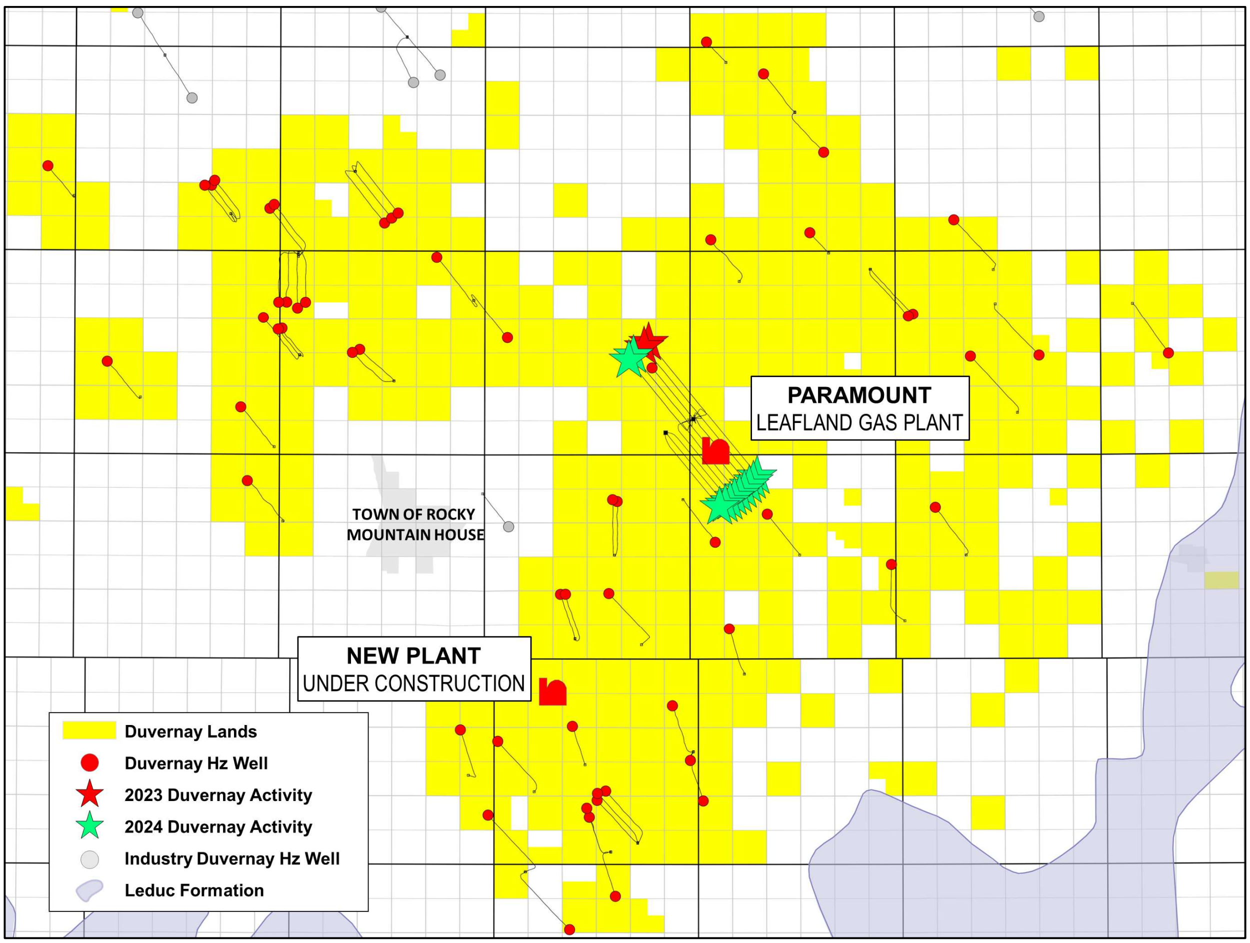
The Company sold certain non-core assets in the Kaybob Region in February 2024 for cash proceeds of approximately $47 million and has retained a 2% no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets. Paramount had previously forecast these assets to generate approximately 1,000 Boe/d of average annual sales volumes for 2024.

Recently, the Company successfully completed a methane emissions reduction project in the Kaybob Region which involved the replacement of 48 pneumatic chemical pumps with solar powered pumps. The project is projected to reduce vented emissions by approximately 2,200 tCO_2e per year and is expected to generate carbon tax credits for future use or sale. The Company continues to evaluate other fields across its portfolio to replace pneumatic chemical pumps.

CENTRAL ALBERTA AND OTHER REGION

The Central Alberta and Other Region includes the Willesden Green Duvernay development in central Alberta and shale gas properties in the Horn River Basin and Liard Basin in northeast British Columbia. The Company's land holdings in the Central Alberta and Other Region at December 31, 2023 included 249,000 net acres of Duvernay rights at Willesden Green, 19,000 net acres of Muskwa rights in the Horn River Basin and 179,000 net acres of Besa River rights in the Liard Basin.

Development activities in the Central Alberta and Other Region are currently focused on the Willesden Green Duvernay property. The map below highlights the Company's Duvernay land position and planned activities at Willesden Green.



Central Alberta and Other Region sales volumes averaged 8,001 Boe/d (32% liquids) in 2023 compared to 7,423 Boe/d (26% liquids) in 2022. The increase was mainly due to two Willesden Green Duvernay acquisitions completed in 2022.

Capital expenditures in the Central Alberta and Other Region totaled $120 million in 2023. Development activities were focused on the Willesden Green Duvernay development which included the drilling, completion and tie-in of 4 (4.0 net) Duvernay wells and the completion in December of the liquids handling expansion of the Company's Leafland natural gas processing plant. Following the expansion, the plant is now capable of handling approximately 6,000 Bbl/d of raw liquids and 22 MMcf/d of raw natural gas.

Paramount completed all four (4.0 net) Willesden Green Duvernay wells from its 2023 development program in early December. These wells are all now on production and have exhibited strong results. Three of the wells averaged gross 30-day peak production per well of 1,873 Boe/d (4.1 MMcf/d of shale gas and 1,195 Bbl/d of NGLs) with an average CGR of 294 Bbl/MMcf. The fourth well has produced for 27 days and is exhibiting a similar production profile. [1] Stronger than expected performance from the Company's Duvernay wells in Willesden Green has contributed to an increase in forecast annual sales volumes in the Central Alberta and Other Region in 2024.

In 2024, Paramount plans to drill 9 (9.0 net) Duvernay wells at Willesden Green and bring onstream 5 (5.0 net) Duvernay wells.

Drilling and completion capital expenditures in the Central Alberta and Other Region in 2024 are anticipated to be evenly weighted between the first and second half of the year. The Company anticipates drilling 6 (6.0 net) wells and bringing onstream 2 (2.0 net) wells in the first half of the year and drilling 3 (3.0 net) wells and bringing onstream 3 (3.0 net) in the second half of the year.

Construction of the Company's second natural gas processing plant at Willesden Green recently commenced following the receipt of regulatory approvals in the fourth quarter of 2023. Procurement of equipment is well underway and civil construction at the site as well as offsite construction of equipment modules began in the first quarter of 2024. The new facility will provide estimated raw handling capacity of 10,000 Bbl/d of liquids and 50 MMcf/d of natural gas upon start-up, which is anticipated to occur in the fourth quarter of 2025. The facility is designed to be capable of expansion to a total capacity of 30,000 Bbl/d of raw liquids and 150 MMcf/d of raw natural gas through the construction of two additional phases with raw handling capacity of approximately 10,000 Bbl/d of liquids and 50 MMcf/d of natural gas each.

The Company anticipates growing production at Willesden Green in conjunction with the phased infrastructure development in the area. In 2024, Paramount plans to increase sales volumes by bringing onstream new wells drilled in 2023 and planned for drilling in 2024 through the newly expanded Leafland plant. Sales volumes are expected to grow between 2024 and 2026, supported by the first phase of the new natural gas processing plant currently under construction. Sales volumes are anticipated to grow further between 2026 and 2028 in conjunction with the planned second phase of the new natural gas processing plant.

---

(1) 30-day peak production is the highest daily average production rate for each well, measured at the wellhead, over a rolling 30-day period, excluding days when the well did not produce. Natural gas sales volumes were lower by approximately 8% and liquids sales volumes were lower by approximately 20% due to shrinkage. The production rates and volumes stated are over a short period of time and, therefore, are not necessarily indicative of average daily production, long-term performance or of ultimate recovery from the wells. CGR means condensate to gas ratio and is calculated by dividing raw wellhead liquids volumes by raw wellhead natural gas volumes. See "Oil and Gas Measures and Definitions" in the Advisories section.

RESERVES AND FINDING AND DEVELOPMENT COSTS [1]

Highlights

- At December 31, 2023:
  - PDP reserves were 165 MMBoe with an NPV_{10} of approximately \$2.1 billion (\$14.57 per basic share);
  - TP reserves were 415 MMBoe with an NPV_{10} of approximately \$4.5 billion (\$31.60 per basic share); and
  - P+P reserves were 761 MMBoe with an NPV_{10} of approximately \$7.9 billion (\$55.04 per basic share).
- Paramount's reserves replacement ratios in 2023 were 1.4x for PDP reserves, 1.2x for TP reserves and 2.8x for P+P reserves. [2]
- 2023 F&D costs were: [3]
  - \$16.58/Boe for PDP reserves (1.6x recycle ratio);
  - \$16.96/Boe for TP reserves (1.6x recycle ratio); and
  - \$12.52/Boe for P+P reserves (2.2x recycle ratio).
- Three-year average F&D costs were:
  - \$10.89/Boe for PDP reserves (3.0x recycle ratio);
  - \$12.39/Boe for TP reserves (2.6x recycle ratio); and
  - \$10.57/Boe for P+P reserves (3.1x recycle ratio).
- Dispositions, mainly related to the 2023 Kaybob Disposition, resulted in reductions to the Company's PDP reserves of 8.4 MMBoe, TP reserves of 35.6 MMBoe and P+P reserves of 59.8 MMBoe.

Reserves Summary

The following table summarizes the Company's PDP, TP and P+P reserves as at December 31, 2023:

	Gross Reserves [1]		
	Proved Developed Producing	Total Proved	Total Proved Plus Probable
Natural gas (Bcf)	570	1,276	2,289
NGLs (MBbl)	66,346	199,223	374,570
Crude oil (MBbl)	3,235	3,235	4,679
Total (MBoe)	**164,560**	**415,128**	**760,736**

(1) All reserves are gross reserves based upon an evaluation prepared by McDaniel & Associates Consultants Ltd. ("McDaniel") dated March 5, 2024 and effective December 31, 2023 (the "McDaniel Report"). "NPV10" refers to the before tax net present value of future net revenue of the applicable reserves, discounted at 10 percent, as estimated in the McDaniel Report. Such value does not represent fair market value. Readers are referred to the advisories concerning "Reserves Data".
(2) See "Oil and Gas Measures and Definitions" in the Advisories section of this document for a description of the calculation and use of reserves replacement ratio.
(3) F&D costs and recycle ratio are non-GAAP ratios. Refer to the "Specified Financial Measures" section and "Oil and Gas Measures and Definitions" in the Advisories section for more information on these measures and on the related non-GAAP financial measure of F&D capital.

The following table summarizes the Company's gross proved and proved plus probable developed and undeveloped reserves as at December 31, 2023 and the net present value of future net revenue of these reserves before income taxes, undiscounted and discounted at 10%.

	Proved (1)			**Proved plus Probable** (1)		
	Gross Reserves	**Future Net Revenue NPV Before Tax** ($ millions)		**Gross Reserves**	**Future Net Revenue NPV Before Tax** ($ millions)	
	(MBoe)	0%	10%	(MBoe)	0%	10%
Developed	164,560	2,034	2,085	220,866	3,321	2,715
Undeveloped	250,568	5,008	2,437	539,871	12,638	5,161
Total	**415,128**	**7,042**	**4,522**	**760,736**	**15,960**	**7,876**

(1) Columns may not add due to rounding. Net present values of future net revenue were determined using forecast prices and costs and do not represent fair market value.

Reserves Reconciliation

The following table provides a summary reconciliation of Paramount's gross reserves as at December 31, 2023 compared to December 31, 2022. Readers should refer to the information under the heading "*Reserves and Other Oil and Gas Information – Reserves Information – Reserves Reconciliation*" in the Company's annual information form for the year ended December 31, 2023, which is available on www.sedarplus.ca or at www.paramountres.com, for additional information, including reserves by the specific product types of shale gas, conventional natural gas, NGLs, light and medium crude oil, tight oil and heavy crude oil.

	Proved (1)			**Proved plus Probable** (1)		
	Natural Gas	**Liquids**	**Total**	**Natural Gas**	**Liquids**	**Total**
	(Bcf)	(MBbl)	(MBoe)	(Bcf)	(MBbl)	(MBoe)
December 31, 2022	**1,361.4**	**217,752**	**444,644**	**2,279.9**	**378,788**	**758,769**
Extensions / improved recovery	106.7	21,757	39,536	200.2	44,279	77,645
Technical revisions	32.3	(3,368)	2,018	94.3	3,728	19,446
Economic factors	(2.5)	117	(306)	(2.1)	202	(149)
Dispositions	(106.8)	(17,781)	(35,579)	(168.4)	(31,731)	(59,791)
Production	(115.0)	(16,017)	(35,184)	(115.0)	(16,017)	(35,184)
December 31, 2023	**1,276.0**	**202,459**	**415,128**	**2,288.9**	**379,249**	**760,736**

(1) Columns and rows may not add due to rounding.

The reserves reconciliation highlights Paramount's strong replacement of production volumes. Additions to TP liquids reserves represented 116% of liquids production and additions to P+P liquids reserves represented 301% of liquids production. Additions to TP natural gas reserves represented 119% of natural gas production and additions to P+P natural gas reserves represented 254% of natural gas production.

F&D Costs and Recycle Ratios (1)

The following table sets out the Company's F&D costs and recycle ratios for the year ended December 31, 2023 and for the three years ended December 31, 2023.

	2023				Three-Year Average (5)			
	F&D Capital (2)	Reserves Additions (3)	F&D	Recycle Ratio (4)	F&D Capital (2)	Reserves Additions (3)	F&D	Recycle Ratio (4)
	($ millions)	(MMBoe)	($/Boe)		($ millions)	(MMBoe)	($/Boe)	
TOTAL COMPANY								
Proved Developed Producing	792	48	**16.58**	1.6x	1,626	149	**10.89**	3.0x
Total Proved	700	41	**16.96**	1.6x	3,024	244	**12.39**	2.6x
Proved plus Probable	1,214	97	**12.52**	2.2x	3,152	298	**10.57**	3.1x
GRANDE PRAIRIE REGION								
Proved Developed Producing	401	40	**10.08**	3.2x	1,041	117	**8.93**	4.2x
Proved	481	26	**18.18**	1.7x	1,429	140	**10.17**	3.7x
Proved plus Probable	1,024	70	**14.65**	2.2x	1,805	186	**9.71**	3.9x

(1) F&D costs and recycle ratio are non-GAAP ratios. Refer to the "Specified Financial Measures" section and "Oil and Gas Measures and Definitions" in the Advisories section for more information on these measures.
(2) F&D capital is a non-GAAP financial measure. Refer to the "Specified Financial Measures" section for more information on this measure, including the calculation of F&D capital.
(3) Net changes in reserves from the prior year from extensions/improved recovery, technical revisions and economic factors.
(4) Recycle ratio is calculated by dividing netback, a non-GAAP measure, per Boe by the applicable F&D cost.
(5) The three-year average F&D costs were calculated by dividing total F&D capital over the period by the aggregate reserves additions in the period. The associated recycle ratios were calculated by dividing the weighted average netback, a non-GAAP measure, per Boe over the period by the three-year average F&D costs.

LAND

Paramount's land position as at December 31, 2023, excluding Cavalier Energy lands, is summarized below:

	December 31, 2023		December 31, 2022	
(thousands of acres)	**Gross** (1)	**Net** (2)	Gross (1)	Net (2)
Acreage assigned reserves	**769**	**608**	792	645
Acreage not assigned reserves	**2,254**	**1,312**	1,983	1,130
Total	**3,023**	**1,920**	2,775	1,775

(1) Gross acres means the total acreage in which Paramount has an interest. Gross acreage is calculated only once per lease or license of petroleum and natural gas rights ("Lease") regardless of whether or not Paramount holds a working and/or royalty interest, or whether or not the Lease includes multiple prospective formations. If Paramount holds interests in different formations beneath the same surface location pursuant to separate Leases, the acreage set out in each Lease is counted.
(2) Net acres means gross acres multiplied by Paramount's working interest therein.

Paramount's total land position as at December 31, 2023 including Cavalier Energy lands encompassed 4.38 million gross (3.22 million net) acres in Western Canada. 3.59 million gross (2.62 million net) acres of this land had no attributed reserves as at December 31, 2023.

PRODUCT TYPE INFORMATION

This document includes references to sales volumes of "natural gas", "condensate and oil", "NGLs", "Other NGLs" and "liquids". "Natural gas" refers to shale gas and conventional natural gas combined. "Condensate and oil" refers to condensate, light and medium crude oil, tight oil and heavy crude oil combined. "NGLs" refers to condensate and Other NGLs combined. "Other NGLs" refers to ethane, propane and butane. "Liquids" refers to condensate and oil and Other NGLs combined. Below is a complete breakdown of sales volumes for applicable periods by the specific product types of shale gas, conventional natural gas, NGLs, light and medium crude oil, tight oil and heavy crude oil. Numbers may not add due to rounding.

	Annual							
	Total		Grande Prairie Region		Kaybob Region		Central Alberta and Other Region	
	2023	2022	2023	2022	2023	2022	2023	2022
Shale gas (MMcf/d)	**265.2**	232.9	**209.3**	166.9	**28.2**	38.5	**27.7**	27.5
Conventional natural gas (MMcf/d)	**49.9**	61.8	**0.4**	1.3	**44.6**	55.0	**4.9**	5.5
Natural gas (MMcf/d)	**315.1**	294.7	**209.7**	168.2	**72.8**	93.5	**32.6**	33.0
Condensate (Bbl/d)	**35,148**	31,228	**31,433**	27,095	**2,655**	3,192	**1,060**	941
Other NGLs (Bbl/d)	**6,226**	5,650	**4,414**	3,394	**1,070**	1,620	**742**	636
NGLs (Bbl/d)	**41,374**	36,878	**35,847**	30,489	**3,725**	4,812	**1,802**	1,577
Light and medium crude oil (Bbl/d)	**1,469**	2,200	**–**	4	**1,440**	2,066	**29**	130
Tight oil (Bbl/d)	**616**	480	**152**	–	**158**	261	**306**	219
Heavy crude oil (Bbl/d)	**424**	–	**–**	–	**–**	–	**424**	–
Crude oil (Bbl/d)	**2,509**	2,680	**152**	4	**1,598**	2,327	**759**	349
Total (Boe/d)	**96,393**	88,672	**70,943**	58,519	**17,449**	22,730	**8,001**	7,423

	Q4							
	Total		Grande Prairie Region		Kaybob Region		Central Alberta and Other Region	
	2023	2022	2023	2022	2023	2022	2023	2022
Shale gas (MMcf/d)	**271.8**	260.0	**214.1**	188.4	**30.2**	41.9	**27.5**	29.7
Conventional natural gas (MMcf/d)	**54.4**	61.9	**0.3**	1.5	**49.6**	55.0	**4.5**	5.4
Natural gas (MMcf/d)	**326.2**	321.9	**214.4**	189.9	**79.8**	96.9	**32.0**	35.1
Condensate (Bbl/d)	**37,522**	34,616	**32,155**	29,146	**4,003**	4,354	**1,364**	1,116
Other NGLs (Bbl/d)	**6,698**	6,143	**4,742**	3,631	**1,209**	1,671	**747**	841
NGLs (Bbl/d)	**44,220**	40,759	**36,897**	32,777	**5,212**	6,025	**2,111**	1,957
Light and medium crude oil (Bbl/d)	**1,636**	2,335	**–**	–	**1,602**	2,045	**34**	290
Tight oil (Bbl/d)	**699**	629	**227**	–	**205**	262	**267**	367
Heavy crude oil (Bbl/d)	**433**	–	**–**	–	**–**	–	**433**	–
Crude oil (Bbl/d)	**2,768**	2,964	**227**	–	**1,807**	2,307	**734**	657
Total (Boe/d)	**101,348**	97,370	**72,860**	64,434	**20,324**	24,477	**8,164**	8,459

The Company forecasts that 2024 annual sales volumes will average between 100,000 Boe/d and 106,000 Boe/d (53% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% Other NGLs). First half 2024 sales volumes are expected to average between 96,000 Boe/d and 100,000 Boe/d (53% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% Other NGLs). Second half 2024 sales volumes are expected to average between 104,000 Boe/d and 112,000 Boe/d (53% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% Other NGLs).

SPECIFIED FINANCIAL MEASURES

Non-GAAP Financial Measures

Netback and netback including risk management contract settlements are non-GAAP financial measures. These measures are not standardized measures under IFRS and might not be comparable to similar financial measures presented by other issuers. These measures should not be considered in isolation or construed as alternatives to their most directly comparable measure disclosed in the Company's primary financial statements or other measures of financial performance calculated in accordance with IFRS.

Netback equals petroleum and natural gas sales (the most directly comparable measure disclosed in the Company's primary financial statements) plus sales of commodities purchased less royalties, operating expense, transportation and NGLs processing expense and commodities purchased. Sales of commodities purchased and commodities purchased are treated as corporate items and are not allocated to individual regions or properties. Netback is used by investors and management to compare the performance of the Company's producing assets between periods.

Netback including risk management contract settlements equals netback after including (or deducting) risk management contract settlements received (paid). Netback including risk management contract settlements is used by investors and management to assess the performance of the producing assets after incorporating management's risk management strategies.

Refer to the table under the heading "Financial and Operating Results" in the press release included in this document for the calculation of netback and netback including risk management contract settlements for the three months and years ended December 31, 2023 and 2022. Refer to the table under "Grande Prairie Region" in the review of operations included in this document for the calculation of netback for the Grande Prairie Region for the three months and years ended December 31, 2023 and 2022.

F&D capital is a measure used in determining F&D costs and is comprised of capital expenditures (the most directly comparable measure disclosed in the Company's primary financial statements) for the applicable year, excluding certain expenditures described herein, plus the change from the prior year in estimated future development capital included in the applicable reserves evaluation prepared by McDaniel. Capital expenditures related to Fox Drilling and corporate capital expenditures are excluded in all periods where F&D capital has been calculated. Capital expenditures related to Cavalier Energy are excluded in all periods were F&D capital has been calculated prior to 2023 as no reserves were attributed to the properties of Cavalier Energy prior to 2023. F&D capital is used by management and investors, in calculating F&D costs, to represent the amount of capital invested in oil and gas exploration and development projects to generate reserves additions.

Set out below is the calculation of F&D capital for the years ended December 31, 2023, 2022 and 2021. Columns may not add due to rounding.

($ millions)	Total Company			
Proved Developed Producing	**2023**	2022	2021	3-year Total
Capital expenditures	**732**	655	275	1,662
Fox Drilling, Cavalier Energy (2022 and 2021) and corporate	**(34)**	(69)	(6)	(109)
Change in estimated future development capital	**94**	(10)	(11)	73
F&D Capital – PDP	**792**	577	257	1,626
Total Proved	**2023**	2022	2021	3-year Total
Capital expenditures	**732**	655	275	1,662
Fox Drilling, Cavalier Energy (2022 and 2021) and corporate	**(34)**	(69)	(6)	(109)
Change in estimated future development capital	**1**	1,249	221	1,471
F&D Capital – TP	**700**	1,835	490	3,025
Proved Plus Probable	**2023**	2022	2021	3-year Total
Capital expenditures	**732**	655	275	1,662
Fox Drilling, Cavalier Energy (2022 and 2021) and corporate	**(34)**	(69)	(6)	(109)
Change in estimated future development capital	**516**	1,176	(93)	1,599
F&D Capital – P+P	**1,214**	1,762	176	3,152

($ millions)	Grande Prairie Region			
Proved Developed Producing	**2023**	2022	2021	3-year Total
Capital expenditures	**380**	453	229	1,062
Change in estimated future development capital	**20**	(20)	(22)	(22)
F&D Capital – PDP	**401**	433	207	1,041
Total Proved	**2023**	2022	2021	3-year Total
Capital expenditures	**380**	453	229	1,062
Change in estimated future development capital	**101**	447	(182)	366
F&D Capital – TP	**481**	901	47	1,429
Proved Plus Probable	**2023**	2022	2021	3-year Total
Capital expenditures	**380**	453	229	1,062
Change in estimated future development capital	**643**	297	(197)	743
F&D Capital – P+P	**1,024**	750	31	1,805

Non-GAAP Ratios

F&D costs, recycle ratio, netback and netback including risk management contract settlements presented on a $/Boe basis are non-GAAP ratios as they each have a non-GAAP financial measure as a component. These measures are not standardized measures under IFRS and might not be comparable to similar financial measures presented by other issuers. These measures should not be considered in isolation or construed as alternatives to their most directly comparable measure disclosed in the Company's primary financial statements or other measures of financial performance calculated in accordance with IFRS.

F&D costs are calculated by dividing: (i) F&D capital (a non-GAAP financial measure) for the applicable reserves category and period; by (ii) the net changes to reserves in such reserves category from the prior period from extensions/improved recovery, technical revisions and economic factors, expressed in Boe. F&D costs are a measure commonly used by management and investors to assess the relationship between capital invested in oil and gas exploration and development projects and reserve additions. Readers should refer to the information under the heading "*Reserves and Other Oil and Gas Information – Reserves Information – Reserves Reconciliation*" in the Company's annual information forms for the years ended December 31, 2023, 2022 and 2021, which are available on SEDAR+ at www.sedarplus.ca or on the Company's website at www.paramountres.com, for a description of the net changes to reserves from the prior year. See "Advisories – Oil and Gas Definitions and Measures" below for more information about this measure.

Recycle ratio is calculated by dividing the netback (a non-GAAP financial measure) per Boe for the period by the F&D costs for the period. Recycle ratio is used by investors and management to compare the cost of adding reserves to the netback realized from production. See "Advisories – Oil and Gas Definitions and Measures" for more information about this measure.

Set out below are the applicable F&D costs and recycle ratios for 2023, 2022 and 2021.

	Total Company					
	F&D ($/Boe)			Recycle Ratio (x)		
	2023	2022	2021	2023	2022	2021
Proved Developed Producing	$16.58	$9.58	$6.22	1.6x	4.5x	4.3x
Total Proved	$16.96	$14.11	$6.72	1.6x	3.0x	4.0x
Proved plus Probable	$12.52	$14.87	$2.12	2.2x	2.9x	12.6x

	Grande Prairie Region					
	F&D ($/Boe)			Recycle Ratio (x)		
	2023	2022	2021	2023	2022	2021
Proved Developed Producing	$10.08	$9.61	$6.53	3.2x	5.1x	5.1x
Total Proved	$18.18	$9.95	$1.99	1.7x	4.9x	16.8x
Proved plus Probable	$14.65	$11.82	$0.59	2.2x	4.2x	56.2x

Netback on a $/Boe basis is calculated by dividing netback (a non-GAAP financial measure) for the applicable period by the total sales volumes during the period in Boe. Netback including risk management contract settlements on a $/Boe basis is calculated by dividing netback including risk management contract settlements (a non-GAAP financial measure) for the applicable period by the total sales volumes during the period in Boe. These measures are used by investors and management to assess netback and netback including risk management contract settlements on a unit of sales volumes basis.

Capital Management Measures

Adjusted funds flow, free cash flow and net (cash) debt are capital management measures that Paramount utilizes in managing its capital structure. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Refer to Note 18 – Capital Structure in the Consolidated Financial Statements of Paramount for: (i) a description of the composition and use of these measures, (ii) reconciliations of adjusted funds flow and free cash flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the years ended December 31, 2023 and 2022 and (iii) a calculation of net (cash) debt as at December 31, 2023 and 2022.

The following is a reconciliation of adjusted funds flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three months ended December 31, 2023 and 2022:

Three months ended December 31 ($millions)	2023	2022
Cash from operating activities	**287.0**	306.9
Change in non-cash working capital	**(18.4)**	48.7
Geological and geophysical expense	**2.7**	2.1
Asset retirement obligations settled	**12.8**	7.0
Closure costs	**–**	–
Provisions	**–**	(24.0)
Settlements	**–**	–
Transaction and reorganization costs	**–**	–
Adjusted funds flow	**284.1**	340.7

The following is a reconciliation of free cash flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three months ended December 31, 2023 and 2022:

Three months ended December 31 ($ millions)	2023	2022
Cash from operating activities	**287.0**	306.9
Change in non-cash working capital	**(18.4)**	48.7
Geological and geophysical expense	**2.7**	2.1
Asset retirement obligations settled	**12.8**	7.0
Closure costs	**–**	–
Provisions	**–**	(24.0)
Settlements	**–**	–
Transaction and reorganization costs	**–**	–
Adjusted funds flow	**284.1**	340.7
Capital expenditures	**(208.9)**	(169.6)
Geological and geophysical expense	**(2.7)**	(2.1)
Asset retirement obligation settled	**(12.8)**	(7.0)
Free cash flow	**59.7**	162.0

Supplementary Financial Measures

This document contains supplementary financial measures expressed as: (i) cash from operating activities, adjusted funds flow and free cash flow on a per share – basic and per share – diluted basis and (ii) revenue, petroleum and natural gas sales, royalties, operating expenses, transportation and NGLs processing expenses, sales of commodities purchased and commodities purchased on a $/Boe or $/Mcf basis.

Cash from operating activities, adjusted funds flow and free cash flow on a per share – basic basis are calculated by dividing cash from operating activities, adjusted funds flow or free cash flow, as applicable, over the referenced period by the weighted average basic shares outstanding during the period determined under IFRS. Cash from operating activities, adjusted funds flow and free cash flow on a per share – diluted basis are calculated by dividing cash from operating activities, adjusted funds flow or free cash flow, as applicable, over the referenced period by the weighted average diluted shares outstanding during the period determined under IFRS.

Revenue, petroleum and natural gas sales, royalties, operating expenses, transportation and NGLs processing expenses, sales of commodities purchased and commodities purchased on a $/Boe or $/Mcf basis are calculated by dividing revenue, petroleum and natural gas sales, royalties, operating expenses, transportation and NGLs processing expenses, sales of commodities purchased and commodities purchased, as applicable, over the referenced period by the aggregate units (Boe or Mcf) of sales volumes during such period.

ADVISORIES

Forward-looking Information

Certain statements in this document constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "estimate", "will", "expect", "plan", "schedule", "intend", "propose", or similar words suggesting future outcomes or an outlook. Forward-looking information in this document includes, but is not limited to:

- forecast sales volumes for 2024 and certain periods therein;
- planned capital expenditures in 2024, the allocation thereof between sustaining and maintenance capital and growth capital and the weighting thereof between the first and second halves of 2024;
- planned abandonment and reclamation expenditures in 2024;
- forecast free cash flow in 2024;
- planned exploration, development and production activities, including: (i) the expected timing of drilling, completing and bringing new wells on production; (ii) the expected timing of completion and capacity of planned facilities, including a new natural gas processing facility at Willesden Green; and (iii) the Company's planned utilization of monobore configurations in Karr and the expected benefits thereof;
- expected reductions in emissions from the replacement of pneumatic pumps in the Kaybob Region;
- expected sales volumes during certain periods at Willesden Green; and
- payment of future dividends.

Statements relating to reserves are also deemed to be forward looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect. Assumptions have been made with respect to the following matters, in addition to any other assumptions identified in this document:

- future commodity prices;
- the impact of international conflicts, including in Ukraine and the Middle East;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates, interest rates and the rate and impacts of inflation;
- general business, economic and market conditions;
- the performance of wells and facilities;
- the availability to Paramount of the funds required for exploration, development and other operations and the meeting of commitments and financial obligations;
- the ability of Paramount to obtain equipment, materials, services and personnel in a timely manner and at expected and acceptable costs to carry out its activities;
- the ability of Paramount to secure adequate processing, transportation, fractionation, disposal and storage capacity on acceptable terms and the capacity and reliability of facilities;
- the ability of Paramount to obtain the volumes of water required for completion activities;
- the ability of Paramount to market its production successfully;
- the ability of Paramount and its industry partners to obtain drilling success (including in respect of anticipated sales volumes, reserves additions, product yields and product recoveries) and operational improvements, efficiencies and results consistent with expectations;
- the timely receipt of required governmental and regulatory approvals;
- the application of regulatory requirements respecting abandonment and reclamation; and
- anticipated timelines and budgets being met in respect of: (i) drilling programs and other operations, including well completions and tie-ins, (ii) the construction, commissioning and start-up of new and expanded third-party and Company facilities, including the new natural gas processing facility at Willesden Green, and (iii) facility turnarounds and maintenance.

Although Paramount believes that the expectations reflected in such forward-looking information are reasonable based on the information available at the time of this document, undue reliance should not be placed on the forward-looking information as Paramount can give no assurance that such expectations will prove to be correct. Forward-looking information is based on expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Paramount and described in the forward-looking information. The material risks and uncertainties include, but are not limited to:

- fluctuations in commodity prices;
- changes in capital spending plans and planned exploration and development activities;
- changes in foreign currency exchange rates, interest rates and the rate of inflation;
- the uncertainty of estimates and projections relating to future production, product yields (including condensate to natural gas ratios), revenue, free cash flow, reserves additions, product recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate processing, transportation, fractionation, disposal and storage capacity on acceptable terms;
- operational risks in exploring for, developing, producing and transporting natural gas and liquids, including the risk of spills, leaks or blowouts;

- the ability to obtain equipment, materials, services and personnel in a timely manner and at expected and acceptable costs, including the potential effects of inflation and supply chain disruptions;
- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities, including third-party facilities and the new natural gas processing facility at Willesden Green;
- processing, transportation, fractionation, disposal and storage outages, disruptions and constraints;
- potential limitations on access to the volumes of water required for completion activities due to drought, conditions of low river flow, government restrictions or other factors;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves estimates;
- general business, economic and market conditions;
- the ability to generate sufficient cash from operating activities to fund, or to otherwise finance, planned exploration, development and operational activities and meet current and future commitments and obligations (including asset retirement obligations, processing, transportation, fractionation and similar commitments and obligations);
- changes in, or in the interpretation of, laws, regulations or policies (including environmental laws);
- the ability to obtain required governmental or regulatory approvals in a timely manner, and to obtain and maintain leases and licenses, including those required for the new natural gas processing facility at Willesden Green;
- the effects of weather and other factors including wildlife and environmental restrictions which affect field operations and access;
- uncertainties as to the timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- uncertainties regarding Indigenous claims and in maintaining relationships with local populations and other stakeholders;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities.

There are risks that may result in the Company changing, suspending or discontinuing its monthly dividend program, including changes to free cash flow, operating results, capital requirements, financial position, market conditions or corporate strategy and the need to comply with requirements under debt agreements and applicable laws respecting the declaration and payment of dividends. There are no assurances as to the continuing declaration and payment of future dividends or the amount or timing of any such dividends.

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risk Factors" in Paramount's annual information form for the year ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca or on the Company's website at www.paramountres.com. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, Paramount undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

Certain forward-looking information in this document, including forecast free cash flow in 2024, may also constitute a "financial outlook" within the meaning of applicable securities laws. A financial outlook involves statements about Paramount's prospective financial performance or position and is based on and subject to the assumptions and risk factors described above in respect of forward-looking information generally as well as any other specific assumptions and risk factors in relation to such financial outlook noted in this document. Such assumptions are based on management's assessment of the relevant information currently available and any financial outlook included in this document is provided for the purpose of helping readers understand Paramount's current expectations and plans for the future. Readers are cautioned that reliance on any financial outlook may not be appropriate for other purposes or in other circumstances and that the risk factors described above or other factors may cause actual results to differ materially from any financial outlook.

Reserves Data

Reserves data set forth in this document is based upon an evaluation of the Company's reserves prepared by McDaniel & Associates Consultants Ltd. ("McDaniel") dated March 5, 2024 and effective December 31, 2023 (the "McDaniel Report"). The reserves referenced in this document are gross reserves. The price forecast used in the McDaniel Report is an average of the January 1, 2024 price forecasts for McDaniel and GLJ Petroleum Consultants Ltd. and the December 31, 2023 price forecast of Sproule Associates Ltd. The estimates of reserves contained in the McDaniel Report and referenced in this document are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates contained in the McDaniel Report and referenced in this document. There is no assurance that the forecast prices and costs assumptions used in the McDaniel Report will be attained, and variances could be material. Estimated future net revenue does not represent fair market value. The estimates of reserves for individual properties may not reflect the same confidence level as estimates of reserves for all properties, due to the effects of aggregation. Readers should refer to the Company's annual information form for the year ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca or on Paramount's website at www.paramountres.com, for a complete description of the McDaniel Report (including reserves by the specific product types of shale gas, conventional natural gas, NGLs, light and medium crude oil, tight oil and heavy crude oil) and the material assumptions, limitations and risk factors pertaining thereto.

Oil and Gas Measures and Definitions

Liquids	
Bbl	Barrels
Bbl/d	Barrels per day
MBbl	Thousands of barrels
NGLs	Natural gas liquids
Condensate	Pentane and heavier hydrocarbons

Oil Equivalent	
Boe	Barrels of oil equivalent
MBoe	Thousands of barrels of oil equivalent
MMBoe	Millions of barrels of oil equivalent
Boe/d	Barrels of oil equivalent per day

Natural Gas	
GJ	Gigajoules
GJ/d	Gigajoules per day
MMBtu	Millions of British Thermal Units
MMBtu/d	Millions of British Thermal Units per day
Mcf	Thousands of cubic feet
MMcf	Millions of cubic feet
MMcf/d	Millions of cubic feet per day
Bcf	Billions of cubic feet
AECO	AECO-C reference price
WTI	West Texas Intermediate

This document contains disclosures expressed as "Boe", "$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. 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 the year ended December 31, 2023, the value ratio between crude oil and natural gas was approximately 36:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value.

This document contains metrics commonly used in the oil and natural gas industry. These metrics are "CGR", F&D costs, recycle ratio and reserves replacement ratio. Each of these metrics is determined by the Company as set out below or elsewhere in this document. These metrics do not have standardized meanings and may not be comparable to similar measures presented by other companies. As such, they should not be used to make comparisons. Management uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare the Company's performance over time; however, such measures are not reliable indicators of the Company's future performance and future performance may not compare to the performance in previous periods and therefore should not be unduly relied upon.

"CGR" means condensate to gas ratio and is calculated by dividing wellhead raw liquids volumes by wellhead raw natural gas volumes.

Refer to the "Specified Financial Measures" section of this document for a description of the calculation and use of F&D costs and recycle ratio.

Reserves replacement ratio is calculated by dividing: (i) the net changes in reserves from the prior year in the applicable category from technical revisions, economic factors and extensions/improved recovery, by (ii) the aggregate production during the year. Reserves replacement ratio is a measure commonly used by management and investors to assess the rate at which reserves depleted by production are being replaced.

Additional information respecting the Company's oil and gas properties and operations is provided in the Company's annual information form for the year ended December 31, 2023 which is available on SEDAR+ at www.sedarplus.ca or on Paramount's website at www.paramountres.com.

Pricing Sensitivity

The below table reflects forecast 2024 free cash flow under the revised 2024 guidance and, for illustrative comparison, two alternative pricing scenarios:

	Revised 2024 Guidance	**Alternative Scenario 1**	**Alternative Scenario 2**
WTI	US$80.00/Bbl	US$77.50/Bbl	US$75.00/Bbl
NYMEX	US$3.50/MMBtu	US$3.00/MMBtu	US$2.40/MMBtu
AECO	$2.84/GJ	$2.37/GJ	$1.90/GJ
2024 Free Cash Flow	$235 million	$135 million	$25 million

Forecast 2024 free cash flow is forward-looking information. See "Forward-looking Information" in these Advisories.

Management's Discussion and Analysis
For the year ended December 31, 2023

This Management's Discussion and Analysis ("MD&A"), dated March 5, 2024, should be read in conjunction with the audited consolidated financial statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the year ended December 31, 2023 (the "Consolidated Financial Statements"). Financial data included in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and is stated in millions of Canadian dollars, unless otherwise noted. The Company's accounting policies have been applied consistently to all periods presented.

ABOUT PARAMOUNT

Paramount is an independent, publicly traded, liquids-rich natural gas focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas. Paramount's principal properties are located in Alberta and British Columbia. Paramount commenced operations as a public company in 1978 and has adapted to a multitude of operating and economic climates over the past 45+ years. The Company's class A common shares ("Common Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "POU". Additional information concerning Paramount, including its Annual Information Form can be found on the SEDAR+ website at www.sedarplus.ca.

Paramount's operations are organized into the following three regions:

- the Grande Prairie Region, located in the Peace River Arch area of Alberta, which is focused on Montney developments at Karr and Wapiti;
- the Kaybob Region, located in west-central Alberta, which includes the Kaybob North Duvernay development and other natural gas and oil producing properties; and
- the Central Alberta and Other Region, which includes the Willesden Green Duvernay development in central Alberta and shale gas properties in the Horn River Basin and the Liard Basin in northeast British Columbia.

The Company's assets also include: (i) strategic investments in exploration and pre-development stage assets, including prospective natural gas and oil acreage in the Mackenzie Delta and Central Mackenzie in the Northwest Territories and interests held by Cavalier Energy Inc. ("Cavalier Energy") prospective for cold flow heavy oil and in-situ thermal oil recovery; (ii) six triple-sized drilling rigs owned by Fox Drilling Limited Partnership ("Fox Drilling"); and (iii) investments in other publicly traded and private entities.

SPECIFIED FINANCIAL MEASURES, PRODUCT TYPES AND OTHER ADVISORIES

This MD&A includes references to: (i) "netback" and "netback including risk management contract settlements", which are non-GAAP financial measures; (ii) certain non-GAAP ratios; (iii) "adjusted funds flow", "free cash flow", "net (cash) debt" and "net debt to adjusted funds flow", which are capital management measures used by Paramount; and (iv) certain supplementary financial measures. Readers are referred to the "Specified Financial Measures" section of this MD&A for important additional information concerning these measures.

This MD&A includes references to sales volumes of "natural gas", "condensate and oil", "NGLs", "Other NGLs" and "liquids". "Natural gas" refers to shale gas and conventional natural gas combined. "Condensate and oil" refers to condensate, light and medium crude oil, tight oil and heavy crude oil combined. "NGLs" refers to condensate and Other NGLs combined. "Other NGLs" refers to ethane, propane and butane. "Liquids" refers to condensate and oil and Other NGLs combined. Readers are referred to the Product Type Information section of this document for a complete breakdown of sales volumes and revenues for applicable periods by the specific product types of shale gas, conventional natural gas, NGLs, light and medium crude oil, tight oil and heavy crude oil.

The disclosures in this MD&A include forward-looking information and certain oil and gas measures. Readers are referred to the Advisories section of this MD&A concerning such matters.

FINANCIAL AND OPERATING HIGHLIGHTS

	2023	2022	2021
FINANCIAL			
Petroleum and natural gas sales	**1,798.5**	2,252.4	1,383.6
Net income	**470.2**	680.6	236.9
Per share – basic ($/share)	***3.29***	4.83	*1.77*
Per share – diluted ($/share)	***3.17***	4.63	*1.67*
Cash from operating activities	**938.2**	1,049.6	482.1
Per share – basic ($/share) (1)	**6.56**	7.45	*3.61*
Per share – diluted ($/share) (1)	**6.32**	7.14	*3.39*
Adjusted funds flow (1)	**965.3**	1,171.0	499.8
Per share – basic ($/share)	**6.75**	8.32	*3.74*
Per share – diluted ($/share)	**6.51**	7.97	*3.51*
Free cash flow (1)	**168.4**	471.1	191.8
Per share – basic ($/share)	***1.18***	3.35	*1.44*
Per share – diluted ($/share)	***1.13***	3.20	*1.36*
Total assets	**4,388.7**	4,337.3	3,885.1
Investments in securities	**540.9**	557.1	372.1
Long-term debt	**–**	159.4	386.3
Net (cash) debt (1)	**59.6**	161.2	456.7
Total liabilities	**889.5**	959.2	1,278.7
Common shares outstanding (millions) (2)	**144.2**	142.0	139.2
Dividends declared and paid ($/share)	**2.50**	1.13	0.20
OPERATING			
Sales volumes			
Natural gas (MMcf/d)	**315.1**	294.7	275.2
Condensate and oil (Bbl/d)	**37,657**	33,908	30,989
Other NGLs (Bbl/d)	**6,226**	5,650	5,147
Total (Boe/d)	**96,393**	88,672	82,001
% Liquids	***46%***	45%	44%
Realized prices (1)			
Natural gas ($/Mcf)	**3.04**	6.24	3.72
Condensate and oil ($/Bbl)	**99.25**	117.07	81.91
Other NGLs ($/Bbl)	**36.06**	55.37	41.84
Petroleum and natural gas sales ($/Boe)	**51.12**	69.60	46.23
Capital expenditures	**732.1**	655.0	274.6

(1) Adjusted funds flow, free cash flow and net (cash) debt are capital management measures used by Paramount. Each measure, other than net income, presented on a $/share, $/Bbl, $/Mcf or $/Boe basis is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

(2) Common shares are presented net of shares held in trust under the Company's restricted share unit plan (Common Shares): 2023: 0.4 million; 2022: 0.8 million; 2021: 1.5 million.

2023 OVERVIEW

Paramount's 2023 financial and operating results include: (1)

- Record annual sales volumes of 96,393 Boe/d (46% liquids), in-line with updated guidance of 95,000 to 98,000 Boe/d (46% liquids). Annual sales volumes increased 9% percent relative to 2022 despite an approximate 3,700 Boe/d impact of the 2023 Kaybob Disposition (as defined below) and an estimated 3,300 Boe/d impact of the Alberta wildfires.
- Sales volumes in the fourth quarter of 101,348 Boe/d (46% liquids), in-line with updated guidance of 100,000 Boe/d to 103,000 Boe/d (47% liquids).
- Cash from operating activities of $938.2 million ($6.56 per basic share).
- Adjusted funds flow of $965.3 million ($6.75 per basic share).
- Capital expenditures of $732.1 million, in-line with updated guidance of $725 million to $750 million. Capital expenditures were largely directed to the Grande Prairie Region Montney development and the Kaybob North and Willesden Green Duvernay developments.
- Asset retirement obligations settled of $54.6 million, which included the abandonment of 82 wells and reclamation of 113 sites.
- Free cash flow of $168.4 million ($1.18 per basic share), in-line with updated guidance of approximately $165 million.
- The closing of the sale of the Company's Kaybob Smoky and Kaybob South Duvernay properties and certain other minor interests in January 2023 for cash proceeds of $370.2 million (the "2023 Kaybob Disposition"). Following the closing of the 2023 Kaybob Disposition, the Company repaid all of the then outstanding drawings under its $1.0 billion revolving credit facility.
- The payment of total cash dividends of $355.4 million, comprised of a special dividend of $1.00 per Common Share and regular monthly dividends of $0.125 per Common Share.
- A reduction of net debt by $101.6 million to $59.6 million at year end, resulting in net debt to adjusted funds flow of 0.1x. Paramount's $1.0 billion revolving credit facility was undrawn at December 31, 2023.
- The carrying value of the Company's investments in securities at December 31, 2023 was $540.9 million.

(1) Adjusted funds flow, free cash flow, net (cash) debt and net debt to adjusted funds flow are capital management measures used by Paramount. The capital management measure of net (cash) debt has been expressed as net debt in this instance for simplicity as the amount referenced is a positive number. Cash from operating activities per basic share, adjusted funds flow per basic share and free cash flow per basic share are supplementary financial measures. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

REVISED GUIDANCE

Paramount is revising its forecast of 2024 sales volumes to a range of 100,000 Boe/d to 106,000 Boe/d (47% liquids), 9,000 Boe/d lower at the midpoint than prior guidance of 108,000 Boe/d to 116,000 Boe/d (47% liquids).

The significant factors contributing to the revision are described below.

- The non-core Kaybob Region asset disposition completed in February 2024 (the "2024 Kaybob Disposition") has reduced forecast 2024 average sales volumes by approximately 1,000 Boe/d.
- Paramount has shut-in dry gas production due to the current natural gas price environment, reducing forecast 2024 average sales volumes by approximately 2,250 Boe/d. The Company continues to closely monitor market conditions and may restore or further reduce production as conditions warrant.
- Sales volumes were approximately 95,000 Boe/d (46% liquids) in January and 103,000 Boe/d (48% liquids) in February based on field estimates, approximately 14,000 Boe/d lower on average across the two months than expected. Cold weather in January resulted in a number of significant production upsets, particularly in the Grande Prairie Region. In addition, production was impacted by intermittent run time at key facilities, an unplanned pipeline outage in the Karr field that shut-in approximately 4,000 Boe/d of production for two weeks and the outage of a water disposal well in the Grande Prairie Region that will continue until the third quarter of 2024.
- 2024 production expectations from the five (5.0 net) well Karr 7-33S pad that was brought onstream in the third quarter of 2023 have been downwardly revised by approximately 3,500 Boe/d (55% liquids). Early production from the wells significantly exceeded type curve expectations and the prior guidance forecasted continued outperformance. The wells, which paid out in approximately three months of being brought onstream, are now performing in line with type curve expectations and the Company has reduced forecast sales volumes for the pad accordingly.
- The Company has benefited from strong new well performance in the Grande Prairie Region in growing its production base and maximizing netbacks, leading to the optimization of production from mature wells being deferred. There are currently 31 wells shut-in and 13 wells that would benefit from intervention in the Grande Prairie Region. The Company will incur incremental operating expenditures to pursue an aggressive well optimization program beginning in 2024 to increase production from these wells, the full benefit of which has not been incorporated into the revised 2024 sales volume forecast.
- In total, Grande Prairie Region sales volumes are forecast to be approximately 6,000 Boe/d lower in 2024, primarily as a result of the revised Karr 7-33S pad production, earlier than anticipated tubing installations on certain wells at Karr due to higher than expected CGRs and the rescheduling of the 21-day outage at the third-party Wapiti natural gas processing plant from May to September.
- The Company has increased forecasted sales volumes by a total of 1,500 Boe/d in the Kaybob Region and Central Alberta and Other Region, largely due to better than expected Duvernay results.

The table below summarizes significant factors contributing to the revision in Paramount's 2024 sales volumes guidance at the midpoint:

	Midpoint Annual Average Sales Volumes (Boe/d)
Prior 2024 guidance	112,000
2024 Kaybob Disposition	-1,000
Dry gas production shut-ins	-2,250
January and February sales volumes lower than forecast	-1,250
Revisions to Grande Prairie Region forecast	-6,000
Revisions to Kaybob and Central Alberta and Other Region forecasts	+1,500
Revised 2024 guidance	**103,000**

The Company is updating its forecast of 2024 free cash flow to approximately $235 million from $350 million to reflect revised midpoint 2024 forecast sales volumes of 103,000 Boe/d (47% liquids) and updated operating cost, royalty and other assumptions. Free cash flow does not include the $47 million cash proceeds from the 2024 Kaybob Disposition.

	Prior 2024 Guidance	Revised 2024 Guidance
WTI	US$80.00/Bbl	No change
NYMEX	US$3.50/MMBtu	
AECO	$2.84/GJ	
Annual average sales volumes (Boe/d)	108,000 to 116,000 (47% liquids)	100,000 to 106,000 (47% liquids)
First half 2024 (Boe/d)	101,000 to 111,000 (46% liquids)	96,000 to 100,000 (47% liquids)
Second half 2024 (Boe/d)	115,000 to 121,000 (47% liquids)	104,000 to 112,000 (47% liquids)
Capital expenditures	$830 to $890 million	No change
Sustaining and Maintenance	$415 to $445 million	
Growth	$415 to $445 million	
Abandonment and reclamation expenditures	$40 million	
Free cash flow (1)	$350 million	$235 million

The Company's midpoint 2024 capital program, abandonment and reclamation expenditures and regular monthly dividend is fully funded under the above forecast. The Company's midpoint 2024 sustaining and maintenance capital program, abandonment and reclamation expenditures and regular monthly dividend would remain fully funded down to an average WTI price in 2024 of about US$61/Bbl, assuming no changes to the other forecast assumptions. See "Advisories – Pricing Sensitivity" for additional sensitivities of 2024 free cash flow to changes in commodity price assumptions.

(1) Free cash flow is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure. The stated free cash flow forecast is based on the following assumptions for 2024: (i) the midpoint of stated capital expenditures and sales volumes, (ii) $40 million in abandonment and reclamation costs, (iii) $10 million in geological and geophysical expenses, (iv) realized pricing of $56.90/Boe (reflecting changes to production mix); (v) a $US/$CAD exchange rate of $0.735, (vi) royalties of $8.35/Boe, (vii) operating costs of $12.90/Boe and (vii) transportation and NGLs processing costs of $3.85/Boe. For comparative purposes, the previous 2024 free cash flow forecast utilized the following differing assumptions as to the following factors: (i) $7 million in geological and geophysical expenses, (ii) realized pricing of $56.40/Boe, (iii) royalties of $8.80/Boe, (iv) operating costs of $12.05/Boe and (v) transportation and NGLs processing costs of $3.70/Boe.

CONSOLIDATED RESULTS

Net Income

Paramount recorded net income of $470.2 million for the year ended December 31, 2023 compared to $680.6 million for the year ended December 31, 2022. Significant factors contributing to the change are shown below:

Year ended December 31	
Net income – 2022	**680.6**
• Lower netback in 2023 mainly due to lower commodity prices	(430.4)
• Higher depletion and depreciation expense in 2023	(115.9)
• Provisions expense in 2023 compared to a $21.9 million recovery in 2022	(24.4)
• Gain on risk management contracts in 2023 compared to a loss in 2022	235.8
• Higher gain on sale of oil and gas assets in 2023	60.7
• Lower income tax expense in 2023	55.7
• Lower exploration and evaluation expense in 2023	17.1
• Other	(9.0)
Net income – 2023	**470.2**

Paramount recorded net income of $680.6 million for the year ended December 31, 2022 compared to $236.9 million for the year ended December 31, 2021. Significant factors contributing to the change are shown below:

Year ended December 31	
Net income – 2021	**236.9**
• Higher netback in 2022, mainly due to higher commodity prices and sales volumes	590.2
• Provisions recovery in 2022 compared to an expense in 2021	45.9
• Lower interest and financing expense in 2022	40.7
• Loss on settlement of dissent payment entitlement in 2021	22.6
• Higher depletion, depreciation and impairment reversals expense in 2022	(152.9)
• Higher income tax expense in 2022	(99.6)
• Other	(3.2)
Net income – 2022	**680.6**

Cash From Operating Activities

Cash from operating activities for the year ended December 31, 2023 was $938.2 million compared to $1,049.6 million for the year ended December 31, 2022. Significant factors contributing to the change are shown below:

Year ended December 31	
Cash from operating activities – 2022	**1,049.6**
• Lower netback in 2023 mainly due to lower commodity prices	(430.4)
• Provisions expense in 2023 compared to a $21.9 million recovery in 2022	(24.4)
• Higher asset retirement obligations settled in 2023	(18.5)
• Receipts on risk management contract settlements in 2023 compared to payments in 2022	225.7
• Change in non-cash working capital	138.6
• Other	(2.4)
Cash from operating activities – 2023	**938.2**

Cash from operating activities for the year ended December 31, 2022 was $1,049.6 million compared to $482.1 million for the year ended December 31, 2021. Significant factors contributing to the change are shown below:

Year ended December 31	
Cash from operating activities – 2021	**482.1**
• Higher netback in 2022, mainly due to higher commodity prices and sales volumes	590.2
• Provisions recovery in 2022 compared to an expense in 2021	45.9
• Lower payments on risk management contract settlements in 2022	39.3
• Lower interest and financing expense in 2022	36.3
• Change in non-cash working capital	(131.1)
• Higher asset retirement obligations settled in 2022	(10.7)
• Other	(2.4)
Cash from operating activities – 2022	**1,049.6**

Adjusted Funds Flow

The following is a reconciliation of adjusted funds flow to cash from operating activities, the most directly comparable measure disclosed in the primary financial statements of the Company:

Year ended December 31	2023	2022	2021
Cash from operating activities	**938.2**	1,049.6	482.1
Change in non-cash working capital (1)	**(40.2)**	98.4	(32.7)
Geological and geophysical expense (2)	**10.2**	8.8	8.0
Asset retirement obligations settled (1)	**54.6**	36.1	25.4
Provisions (3)	**2.5**	(21.9)	24.0
Settlements (4)	**–**	–	(7.0)
Adjusted funds flow (5)	**965.3**	1,171.0	499.8
Adjusted funds flow ($/Boe) (6)	**27.43**	36.18	16.70

(1) Refer to the consolidated statements of cash flows in the Consolidated Financial Statements.
(2) Refer to Note 5 in the Consolidated Financial Statements.
(3) Refer to Note 16 in the Consolidated Financial Statements.
(4) Refer to Note 16 in the Company's consolidated financial statements as at and for the year ended December 31, 2022.
(5) Adjusted funds flow is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.
(6) Adjusted funds flow ($/Boe) is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information.

Adjusted funds flow for the year ended December 31, 2023 was $965.3 million compared to $1,171.0 million for the year ended December 31, 2022. Significant factors contributing to the change are shown below:

Year ended December 31	
Adjusted funds flow – 2022	**1,171.0**
• Lower netback in 2023 mainly due to lower commodity prices	(430.4)
• Receipts on risk management contract settlements in 2023 compared to payments in 2022	225.7
• Other	(1.0)
Adjusted funds flow – 2023	**965.3**

Adjusted funds flow for the year ended December 31, 2022 was $1,171.0 million compared to $499.8 million for the year ended December 31, 2021. Significant factors contributing to the change are shown below:

Year ended December 31	
Adjusted funds flow – 2021	**499.8**
• Higher netback in 2022, mainly due to higher commodity prices and sales volumes	590.2
• Lower payments on risk management contract settlements in 2022	39.3
• Lower interest and financing expense in 2022	36.3
• Other	5.4
Adjusted funds flow – 2022	**1,171.0**

Free Cash Flow

The following is a reconciliation of free cash flow to cash from operating activities, the most directly comparable measure disclosed in the primary financial statements of the Company:

Year ended December 31	**2023**	2022	2021
Cash from operating activities	**938.2**	1,049.6	482.1
Change in non-cash working capital (1)	**(40.2)**	98.4	(32.7)
Geological and geophysical expense (2)	**10.2**	8.8	8.0
Asset retirement obligations settled (1)	**54.6**	36.1	25.4
Provisions (3)	**2.5**	(21.9)	24.0
Settlements (4)	**–**	–	(7.0)
Adjusted funds flow	**965.3**	1,171.0	499.8
Capital expenditures (1)	**(732.1)**	(655.0)	(274.6)
Geological and geophysical expense (2)	**(10.2)**	(8.8)	(8.0)
Asset retirement obligations settled (1)	**(54.6)**	(36.1)	(25.4)
Free cash flow (5)	**168.4**	471.1	191.8

(1) Refer to the consolidated statements of cash flows in the Consolidated Financial Statements.
(2) Refer to Note 5 in the Consolidated Financial Statements.
(3) Refer to Note 16 in the Consolidated Financial Statements.
(4) Refer to Note 16 in the Company's consolidated financial statements as at and for the year ended December 31, 2022.
(5) Free cash flow is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.

Free cash flow for the year ended December 31, 2023 was $168.4 million compared to $471.1 million for the year ended December 31, 2022. Significant factors contributing to the change are shown below:

Year ended December 31	
Free cash flow – 2022	**471.1**
• Lower adjusted funds flow (described in "Adjusted Funds Flow" section above)	(205.7)
• Higher capital expenditures in 2023	(77.1)
• Higher asset retirement obligations settled in 2023	(18.5)
• Higher geological and geophysical expense in 2023	(1.4)
Free cash flow – 2023	**168.4**

Free cash flow for the year ended December 31, 2022 was $471.1 million compared to $191.8 million for the year ended December 31, 2021. Significant factors contributing to the change are shown below:

Year ended December 31	
Free cash flow – 2021	**191.8**
• Higher adjusted funds flow (described in "Adjusted Funds Flow" section above)	671.2
• Higher capital expenditures in 2022	(380.4)
• Higher asset retirement obligations settled in 2022	(10.7)
• Higher geological and geophysical expense in 2022	(0.8)
Free cash flow – 2022	**471.1**

OPERATING RESULTS

Netback

Year ended December 31	**2023**		2022	
		($/Boe)(1)(2)		($/Boe)(1)(2)
Natural gas revenue (3)	***349.1***	***3.04***	*671.1*	*6.24*
Condensate and oil revenue (3)	***1,364.2***	***99.25***	*1,448.9*	*117.07*
Other NGLs revenue (3)	***81.9***	***36.06***	*114.2*	*55.37*
Royalty income and other revenue (3)	***3.3***	***–***	*18.2*	–
Petroleum and natural gas sales (4)	***1,798.5***	***51.12***	*2,252.4*	*69.60*
Royalties (4)	***(254.3)***	***(7.23)***	*(335.3)*	*(10.36)*
Operating expense (4)	***(453.8)***	***(12.90)***	*(407.1)*	*(12.58)*
Transportation and NGLs processing (4)	***(134.4)***	***(3.82)***	*(123.7)*	*(3.82)*
Sales of commodities purchased (4)	***255.1***	***7.25***	*272.0*	*8.41*
Commodities purchased (4)	***(250.2)***	***(7.11)***	*(267.0)*	*(8.25)*
Netback (5)	***960.9***	***27.31***	*1,391.3*	*43.00*
Risk management contract settlements (6)	***46.7***	***1.33***	*(179.0)*	*(5.53)*
Netback including risk management contract settlements (7)	***1,007.6***	***28.64***	*1,212.3*	*37.47*

(1) Natural gas revenue shown per Mcf.
(2) When presented on a $/Boe or $/Mcf basis, each of the components of Netback is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.
(3) Refer to Note 15 in the Consolidated Financial Statements. Royalty income and other revenue for the year ended December 31, 2022 includes $11.9 million in business interruption insurance proceeds related to losses in prior years.
(4) Refer to the consolidated statements of comprehensive income in the Consolidated Financial Statements.
(5) Netback is a non-GAAP financial measure. Netback presented on a $/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.
(6) Refer to Note 14 in the Consolidated Financial Statements.
(7) Netback including risk management contract settlements is a non-GAAP financial measure. Netback including risk management contract settlements presented on a $/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

Petroleum and natural gas sales were $1,798.5 million in 2023, a decrease of $453.9 million from the prior year, mainly due to a 27 percent decrease in average realized petroleum and natural gas sales prices per Boe in 2023 compared to 2022. The effects of lower realized petroleum and natural gas sales prices per Boe were partially offset by a nine percent increase in sales volumes in 2023 compared to 2022.

The impact of changes in prices and sales volumes on petroleum and natural gas sales are as follows:

	Natural gas	Condensate and oil	Other NGLs	Royalty income and other revenue	Total
Year ended December 31, 2022	671.1	1,448.9	114.2	18.2	2,252.4
Effect of changes in prices	(368.4)	(245.0)	(43.9)	–	(657.3)
Effect of changes in sales volumes	46.4	160.3	11.6	–	218.3
Change in royalty income and other revenue	–	–	–	(14.9)	(14.9)
Year ended December 31, 2023	**349.1**	**1,364.2**	**81.9**	**3.3**	**1,798.5**

Royalty income and other revenue for the year ended December 31, 2022 includes $11.9 million in business interruption insurance proceeds related to losses in 2020 and 2021.

Petroleum and natural gas sales were $2,252.4 million in 2022, an increase of $868.8 million from 2021, mainly due to higher commodity prices and sales volumes.

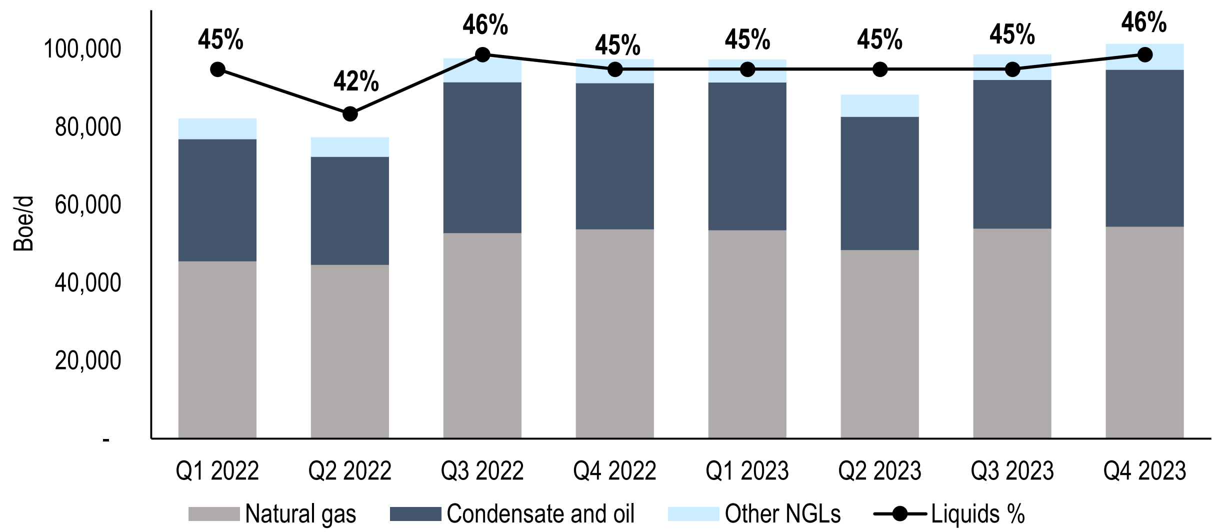
The impact of changes in prices and sales volumes on petroleum and natural gas sales are as follows:

	Natural gas	Condensate and oil	Other NGLs	Royalty income and other revenue	Total
Year ended December 31, 2021	373.3	926.5	78.6	5.2	1,383.6
Effect of changes in prices	271.4	435.1	27.9	–	734.4
Effect of changes in sales volumes	26.4	87.3	7.7	–	121.4
Change in royalty income and other revenue	–	–	–	13.0	13.0
Year ended December 31, 2022	**671.1**	**1,448.9**	**114.2**	**18.2**	**2,252.4**

Sales Volumes

	Year ended December 31											
	Natural gas (MMcf/d) (1)			Condensate and oil (Bbl/d) (1)			Other NGLs (Bbl/d) (1)			Total (Boe/d) (1)		
	2023	**2022**	***Chg***	**2023**	**2022**	***Chg***	**2023**	**2022**	***Chg***	**2023**	**2022**	***Chg***
Grande Prairie	**209.7**	168.2	*25%*	**31,585**	27,099	*17%*	**4,414**	3,394	*30%*	**70,943**	58,519	*21%*
Kaybob	**72.8**	93.5	*(22%)*	**4,253**	5,519	*(23%)*	**1,070**	1,620	*(34%)*	**17,449**	22,730	*(23%)*
Central Alberta and Other	**32.6**	33.0	*(1%)*	**1,819**	1,290	*41%*	**742**	636	*17%*	**8,001**	7,423	*8%*
Total	**315.1**	294.7	*7%*	**37,657**	33,908	*11%*	**6,226**	5,650	*10%*	**96,393**	88,672	*9%*

(1) Readers are referred to the "Product Type Information" section of this document for more information respecting the composition of sales volumes by the specific product types of shale gas, conventional natural gas, NGLs, light and medium crude oil, tight oil and heavy crude oil.



Sales volumes averaged 96,393 Boe/d (46% liquids) for the year ended December 31, 2023, a new annual record for the Company, compared to 88,672 Boe/d (45% liquids) for the year ended December 31, 2022.

Average sales volumes in 2023 increased nine percent compared to 2022, despite an approximate 3,700 Boe/d impact of the 2023 Kaybob Disposition and an estimated 3,300 Boe/d impact of the Alberta wildfires. The Alberta wildfires impacted second quarter 2023 average sales volumes by an estimated 12,000 Boe/d and third quarter 2023 average sales volumes by an estimated 1,000 Boe/d.

Grande Prairie Region sales volumes averaged 70,943 Boe/d (51% liquids) in 2023, compared to 58,519 Boe/d (52% liquids) in 2022. The 21 percent increase was mainly due to new wells brought onstream and the completion early in the second quarter of 2023 of infrastructure debottlenecking in the region. The Alberta wildfires impacted Grande Prairie Region annual average sales volumes by an estimated 1,500 Boe/d in 2023. Grande Prairie Region sales volumes in 2023 were also impacted by an estimated 5,800 Boe/d related to outages and curtailments associated with third-party midstream facilities (2022 – approximately 7,800 Boe/d).

Kaybob Region sales volumes averaged 17,449 Boe/d (31% liquids) in 2023 compared to 22,730 Boe/d (31% liquids) in 2022. Sales volumes in 2023 were lower by approximately 3,700 Boe/d compared to 2022 due to the 2023 Kaybob Disposition. The Alberta wildfires impacted Kaybob Region annual average sales volumes by an estimated 1,800 Boe/d in 2023.

Sales volumes in the Central Alberta and Other Region averaged 8,001 Boe/d (32% liquids) in 2023 compared to 7,423 Boe/d (26% liquids) in 2022. The increase was mainly due to two Willesden Green Duvernay property acquisitions completed in 2022.

Commodity Prices

Year Ended December 31	2023	2022	% Change
Natural Gas [(1)]			
Paramount realized natural gas price ($/Mcf)	**3.04**	6.24	*(51)*
AECO daily spot ($/GJ)	**2.50**	5.04	*(50)*
AECO monthly index ($/GJ)	**2.78**	5.27	*(47)*
Dawn ($/MMBtu)	**3.19**	7.92	*(60)*
NYMEX (US$/MMBtu)	**2.66**	6.51	*(59)*
Malin daily index (US$/MMBtu)	**4.69**	8.38	*(44)*
Condensate and Oil [(1)]			
Paramount realized condensate & oil price ($/Bbl)	**99.25**	117.07	*(15)*
Edmonton light sweet crude oil ($/Bbl)	**99.87**	119.73	*(17)*
Edmonton condensate ($/Bbl)	**102.80**	121.28	*(15)*
West Texas Intermediate crude oil (US$/Bbl)	**77.63**	94.23	*(18)*
Other NGLs [(1)]			
Paramount realized Other NGLs price ($/Bbl)	**36.06**	55.37	*(35)*
Conway – propane ($/Bbl)	**39.10**	59.63	*(34)*
Belvieu – butane ($/Bbl)	**51.83**	71.06	*(27)*
Foreign Exchange			
$CAD / 1 $US	**1.35**	1.30	*4*

(1) Realized prices per Mcf and Bbl are supplementary financial measures. Refer to the "Specified Financial Measures" section of this MD&A for more information.

Paramount's natural gas portfolio primarily consists of sales priced at Alberta, British Columbia, Oregon and Eastern Canada markets, which are sold in a combination of daily, monthly, seasonal and fixed basis differential physical contracts. The Company's current natural gas sales portfolio includes approximately 60,000 GJ/d of natural gas priced at Dawn and approximately 22,000 GJ/d of natural gas priced at Malin. Beginning in the fourth quarter of 2024, Paramount has secured ex-Alberta to Iroquois transportation of approximately 20,000 GJ/d of natural gas. Paramount's 2022 and 2023 natural gas portfolio included arrangements to sell approximately 60,000 GJ/d of natural gas at Dawn, approximately 22,000 GJ/d of natural gas at Malin and 40,000 GJ/d of natural gas sales priced at the US Midwest.

Realized natural gas prices in 2022 include the impacts of sales under fixed-price physical contracts. In 2022, 57,000 GJ/d of natural gas was sold at a fixed price of CAD$3.83/GJ and 12,000 MMBtu/d of natural gas was sold at a fixed price of US$4.03/MMBtu.

The Company ships the majority of its condensate and crude oil production on third-party pipelines for sale in Edmonton, Alberta. A portion of Paramount's production is sold at the lease when warranted by economic or operational factors. Sales prices for condensate and oil are based on West Texas Intermediate reference prices, adjusted for transportation, quality and density differentials.

Paramount's propane and butane volumes are sold under monthly and long-term contracts with prices based on the Edmonton market, adjusted for transportation and fractionation.

Subsequent to December 31, 2023, the Company entered into the following basis differential physical sales contracts:

	Volume	Location	Average price	Remaining term
Natural Gas	37,500 MMBtu/d	AECO	NYMEX – US$0.93/MMBtu [(1)]	April 2024 – October 2024

(1) "NYMEX" refers to NYMEX pricing at Henry Hub.

Risk Management Contracts

Commodity Contracts

From time to time Paramount uses financial commodity contracts to manage exposure to commodity price volatility. Changes in the fair value of the Company's financial commodity contracts are as follows:

Year ended December 31	2023	2022
Fair value, beginning of year	11.8	5.4
Changes in fair value	48.0	(160.1)
Settlements (received) paid	(59.8)	166.5
Fair value, end of year	–	11.8

In the fourth quarter of 2023, Paramount terminated and closed out all 15,000 Bbl/d of its NYMEX WTI swaps (CAD $109.68/Bbl, January 2024 to December 2024) for aggregate cash proceeds of $45.4 million.

Subsequent to December 31, 2023, Paramount entered into the following financial commodity contracts:

Instruments	Aggregate amount / notional	Average price or rate	Remaining term
Oil			
MSW WTI Differential Swap (Sale) (1)	1,000 Bbl/d	WTI – US$2.40/Bbl	May 2024 – December 2024

(1) "MSW" refers to Mix Sweet Blend crude oil at Edmonton and "WTI" means West Texas Intermediate.

For further details on the Company's financial commodity contracts, refer to Note 14 in the Consolidated Financial Statements.

Foreign Currency Exchange Contracts

Paramount uses foreign currency exchange contracts from time to time to manage risks of volatility in foreign currency exchange related to its U.S. dollar denominated petroleum and natural gas sales revenue. Changes in the fair value of the Company's foreign currency exchange contracts are as follows:

Year ended December 31	2023	2022
Fair value, beginning of year	(9.8)	0.4
Changes in fair value	5.1	(22.7)
Settlements paid	13.1	12.5
Fair value, end of year	8.4	(9.8)

The Company had the following foreign currency exchange contracts at December 31, 2023:

Instruments	Aggregate amount / notional	Average rate (1)	Remaining term
Swaps (Sale)	US$30 million / month	1.3433 CAD$/US$1.00	January 2024 – June 2024
Swaps (Sale)	US$30 million / month	1.3462 CAD$/US$1.00	July 2024 – December 2024

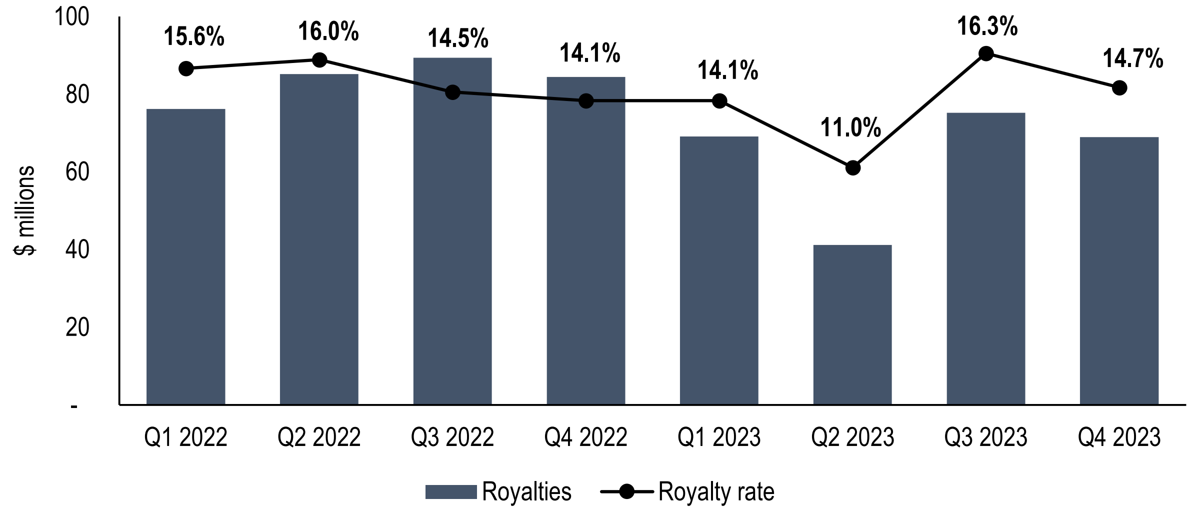
(1) Average rate is calculated using a weighted average of notional volumes and foreign currency exchange rates.

For further details on the Company's foreign currency exchange contracts, refer to Note 14 in the Consolidated Financial Statements.

Royalties

Year ended December 31	2023	Rate	2022	Rate
Royalties	254.3	14.2%	335.3	15.0%
$/Boe (1)	*7.23*		*10.36*	

(1) Royalty rate and royalties per Boe are supplementary financial measures. Refer to the "Specified Financial Measures" section of this MD&A for more information.

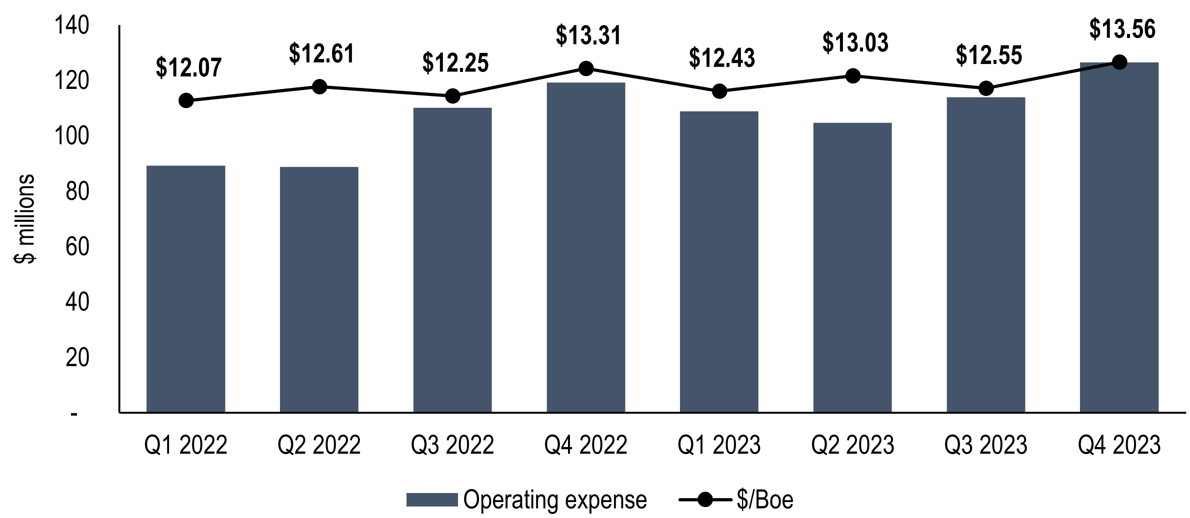


Royalties were $254.3 million for the year ended December 31, 2023 compared to $335.3 million in the same period in 2022. Royalties decreased in 2023 due to lower petroleum and natural gas sales and lower royalty rates. Royalty rates decreased in 2023 mainly due to lower commodity prices.

Operating Expense

Year ended December 31	2023	2022	% Change
Operating expense	453.8	407.1	*11*
$/Boe (1)	*12.90*	*12.58*	*3*

(1) Operating expense per Boe is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information.



Operating expenses were $453.8 million for the year ended December 31, 2023, 11 percent higher than in 2022, mainly as a result of higher third-party processing fees from a nine percent increase in sales volumes compared to 2022 and increased workover and maintenance activities. These increases were partially offset by lower power costs and the impact of the 2023 Kaybob Disposition.

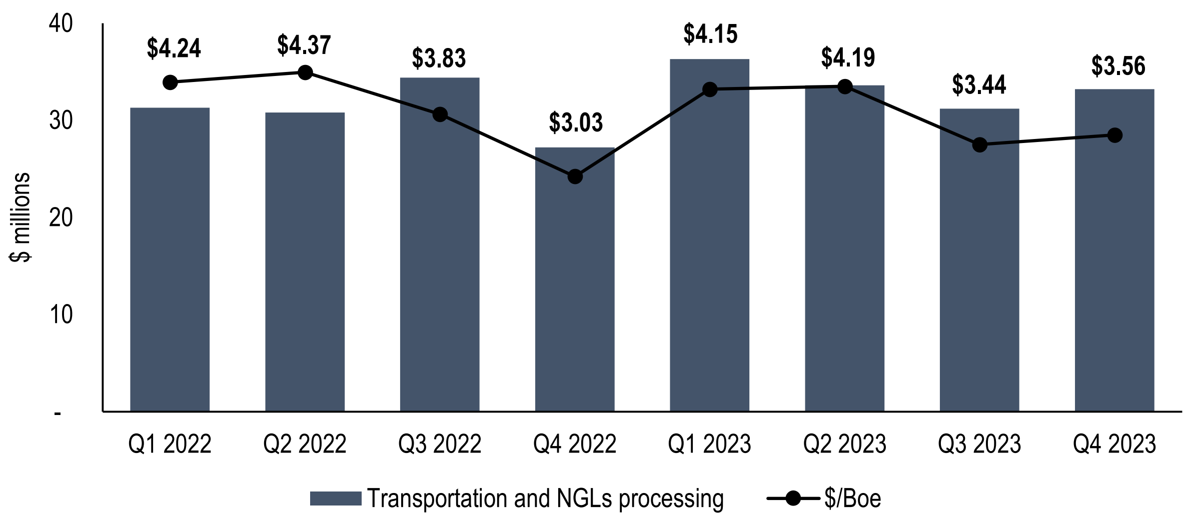
Operating expenses in the Grande Prairie Region were $297.8 million ($11.50/Boe) in 2023 compared to $247.6 million ($11.59/Boe) in 2022, a 20 percent increase. Grande Prairie Region operating expenses were higher mainly as a result of a 21 percent increase in the region's sales volumes compared to 2022, resulting in higher third-party processing fees, as well as increased workover and maintenance activities.

Total Company operating expenses were $12.90/Boe for the year ended December 31, 2023 compared to $12.58/Boe in 2022, mainly due to fixed costs comprising a higher proportion of operating expenses in the Kaybob Region following the 2023 Kaybob Disposition and increased workover and maintenance activities. These impacts were partially offset by higher sales volumes.

Transportation and NGLs Processing

Year ended December 31	2023	2022	% Change
Transportation and NGLs processing	**134.4**	123.7	9
$/Boe [(1)]	***3.82***	*3.82*	*–*

(1) Transportation and NGLs processing per Boe is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information.



Transportation and NGLs processing expense for the year ended December 31, 2023 was $134.4 million, nine percent higher than 2022, mainly as a result of a nine percent increase in sales volumes compared to 2022. Fourth quarter 2022 transportation and NGLs processing expense included the impact of 13th month adjustments for volumes shipped in 2022.

Sales of Commodities Purchased and Commodities Purchased

Year ended December 31	2023	2022	% Change
Sales of commodities purchased	**255.1**	272.0	*(6)*
Commodities purchased	**(250.2)**	(267.0)	*(6)*

Paramount purchases commodities from third parties from time to time to fulfill sales commitments and for blending purposes. The Company sells these products to its customers. These transactions are presented as separate revenue and expenses items in the consolidated statements of comprehensive income in the Consolidated Financial Statements.

Other Items

Year ended December 31	2023	2022
Depletion and depreciation	**382.0**	335.8
Change in asset retirement obligations	**19.9**	(39.8)
Alberta site rehabilitation program funding	**–**	(10.0)
Exploration and evaluation expense	**13.5**	30.6
Gain on sale of oil and gas assets	**(126.3)**	(65.6)
Accretion of asset retirement obligations	**43.2**	44.9

Depletion and depreciation expense was $382.0 million in 2023 compared to $335.8 million in 2022. The increase in depletion and depreciation expense in 2023 was attributable to both higher sales volumes and higher depletion rates per Boe.

For the year ended December 31, 2023, the Company recorded a charge of $19.9 million (2022 – a recovery of $39.8 million) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment. The changes mainly resulted from revisions in the credit-adjusted risk-free rate used to discount the Company's asset retirement obligations.

Exploration and evaluation expense was $13.5 million for the year ended December 31, 2023 compared to $30.6 million in 2022. The decrease in 2023 was primarily due to lower expenses related to expired mineral leases.

The 2023 Kaybob Disposition closed in January 2023. Paramount received cash proceeds of $370.2 million on the sale, resulting in a $120.6 million gain on sale of oil and gas assets in 2023. The properties sold had average sales volumes of approximately 4,700 Boe/d (13.8 MMcf/d of shale gas and 2,400 Bbl/d of NGLs) and a netback of approximately $21 million in the fourth quarter of 2022, the last full quarter prior to sale. The assets and liabilities associated with the 2023 Kaybob Disposition were presented as held for sale at December 31, 2022.

In October 2022, the Company closed the sale of approximately 60 kilometers of operated resources roads in the Kaybob Region (the "Roads Disposition") for cash proceeds of $64.2 million. A gain of $62.4 million was recognized on the sale in 2022.

Accretion of asset retirement obligations was $43.2 million for the year ended December 31, 2023, relatively consistent compared to $44.9 million for the same period in 2022.

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations settled for the year ended December 31, 2023 totaled $54.6 million. Activities in 2023 included the abandonment of 82 wells and the reclamation of 113 sites.

The Company's budget for abandonment and reclamation activities in 2024 remains unchanged at approximately $40 million.

As at December 31, 2023, estimated undiscounted, uninflated asset retirement obligations were $1,295.4 million (December 31, 2022 – $1,296.0 million). As at December 31, 2023, the Company's discounted asset retirement obligations were $587.3 million (discounted at 7.75 percent per annum and using an inflation rate of 2.0 percent per annum) compared to $540.1 million as at December 31, 2022 (discounted at 8.5 percent per annum and using an inflation rate of 2.0 percent per annum). For further details concerning the Company's asset retirement obligations, refer to Note 9 in the Consolidated Financial Statements.

OTHER ASSETS

Investments in Securities

As at December 31	2023	2022
Level one fair value hierarchy securities ("Level One Securities")	422.0	477.3
Level three fair value hierarchy securities ("Level Three Securities")	118.9	79.8
	540.9	557.1

Paramount holds investments in a number of publicly-traded and private entities as part of its portfolio of investments. Investments in securities that are listed on a public stock exchange are classified as Level One Securities and carried at their period-end trading prices. Investments in securities that are not listed on a public stock exchange are classified as Level Three Securities. Estimates of fair values for these investments are based on valuation techniques that incorporate unobservable inputs. These valuation techniques utilize market-based metrics of comparable companies and transactions, indicators of value based on equity transactions of the entities and other indicators of value including financial and operating results of the entities. Fair value estimates of Level Three Securities are updated at each balance sheet date to confirm whether the carrying value of the investment continues to fall within a range of possible fair values indicated by such techniques.

Level One Securities at December 31, 2023 included 37.3 million common shares of NuVista Energy Ltd. ("NuVista Shares") (December 31, 2022 – 37.3 million common shares), which had a carrying value of $411.3 million (December 31, 2022 – $464.9 million).

Level Three Securities at December 31, 2023 and 2022 included investments in the shares of Sultran Ltd. ("Sultran") and Westbrick Energy Ltd.

Paramount received total cash dividends of $8.4 million in 2023 (2022 – $0.8 million) on its investment in securities, including $7.8 million from Sultran.

The Company recorded an unrealized loss of $17.1 million, before tax, to other comprehensive income ("OCI") for the year ended December 31, 2023 (2022 – unrealized gain of $235.3 million) related to changes in the fair value estimates of its investments in securities.

In 2022, Paramount disposed of 2.5 million NuVista Shares as well as investments in other Level One Securities and Level Three Securities for aggregate proceeds of $56.8 million, resulting in $12.9 million of accumulated net gains, net of tax, being reclassified from reserves to retained earnings.

For additional details concerning the Company's investments in securities, refer to Note 7 in the Consolidated Financial Statements.

Cavalier Energy

Cavalier Energy is a wholly-owned subsidiary of Paramount. Cavalier Energy holds approximately 1.30 million net acres of land located primarily in the Athabasca and Peace River regions of Alberta that are prospective for cold flow heavy oil and in-situ thermal oil recovery. These holdings include 293,000 net acres with Clearwater and Bluesky cold flow heavy oil potential. 2 (2.0 net) Bluesky wells were drilled by Cavalier Energy in 2023.

Fox Drilling

Fox Drilling owns six triple-sized drilling rigs, five of which are walking, that are used to drill Company wells. The walking rigs have the capability of moving across a lease with the derrick and drill pipe remaining vertical, significantly increasing efficiencies when drilling multi-well pads. All of the Fox Drilling rigs are bi-fuel capable, enabling the use of natural gas to save costs and reduce emissions compared to diesel engines.

Other Strategic Investments

Paramount’s other land holdings include 207,000 net acres of undeveloped land in the Mackenzie Delta and Central Mackenzie in the Northwest Territories prospective for natural gas and oil production.

CORPORATE

Year ended December 31	2023	2022
General and administrative	**49.4**	42.7
Share-based compensation	**33.4**	25.3
Interest and financing	**6.5**	6.4
Deferred income tax expense	**129.5**	185.2
Other	**(7.3)**	(27.5)

General and administrative expense was $49.4 million for the year ended December 31, 2023, compared to $42.7 million in 2022. The increase in general and administrative expense in 2023 mainly related to an increase in headcount and higher employee compensation costs.

Share-based compensation expense was $33.4 million for the year ended December 31, 2023, compared to $25.3 million in 2022. This increase was mainly due to higher accrued grants under the Company's restricted share unit program.

Interest and financing expense was $6.5 million for the year ended December 31, 2023 compared to $6.4 million in 2022. Interest and financing expense in 2022 was reduced by $10.2 million related to the impacts of $500 million of floating-to-fixed interest rate swaps, which were terminated in December 2022 for a payment to the Company of $10.3 million. Average outstanding amounts under the Company's $1.0 billion financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility") were lower in 2023 versus 2022.

Deferred income tax expense was $129.5 million for the year ended December 31, 2023 compared to $185.2 million recorded in 2022. The Company has tax pools of approximately $4 billion at December 31, 2023, the majority of which are immediately deductible.

Other for the year ended December 31, 2023 was mainly related to dividend income of $8.4 million received on the Company's investments in securities. In 2022, the Company reached an agreement to settle certain claims involving a service provider, resulting in a $24.0 million recovery being recognized within Other in the year.

CAPITAL EXPENDITURES AND LAND AND PROPERTY ACQUISITIONS

Capital Expenditures

Year ended December 31	2023	2022
Drilling, completion, equipping and tie-ins	558.5	494.6
Facilities and gathering	142.6	97.6
Drilling rigs	18.8	22.1
Corporate	12.2	40.7
Capital expenditures	732.1	655.0
Grande Prairie Region	380.3	453.3
Kaybob Region	190.4	131.2
Central Alberta and Other Region	120.0	2.1
Fox Drilling and Cavalier Energy	29.2	27.7
Corporate	12.2	40.7
Capital expenditures	732.1	655.0

Land and Property Acquisitions

Year ended December 31	2023	2022
Land and property acquisitions	79.2	145.8

Capital expenditures totaled $732.1 million for the year ended December 31, 2023 compared to $655.0 million in 2022. Expenditures in 2023 were mainly directed to drilling and completion activities in the Grande Prairie and Kaybob Regions and drilling, completion and facility expansion activities at Willesden Green in the Central Alberta and Other Region. Significant capital program activities in 2023 included the following:

- In the Grande Prairie Region, the Company drilled and completed 33 (33.0 net) operated Montney wells and brought onstream 35 (35.0 net) Montney operated wells. Early in the second quarter of 2023, the Company also completed a multi-year debottlenecking project to facilitate sales volume growth in the region. In addition, 4 (0.5 net) non-operated wells were drilled, completed and brought-on production.

- In the Kaybob Region, the Company drilled 10 (10.0 net) Duvernay wells and 2 (1.4 net) Montney wells and brought onstream 3 (3.0 net) Duvernay wells.

- In the Central Alberta and Other Region, the Company drilled 4 (4.0 net) Duvernay wells and brought onstream 2 (2.0 net) Duvernay wells at Willesden Green. In December 2023, Paramount completed the liquids handling expansion of its Leafland natural gas processing plant at Willesden

Green. Following the expansion, the raw handling capacity of the plant is approximately 6,000 Bbl/d of liquids and 22 MMcf/d of natural gas.

- Fox Drilling and Cavalier Energy capital expenditures included costs related to the construction of a fifth super-spec walking rig that was completed in the fourth quarter of 2023 and the drilling of 2 (2.0 net) Bluesky wells and completion of 1 (1.0 net) Bluesky well.

Land and property acquisitions totaled $79.2 million in 2023 compared to $145.8 million in 2022.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary objectives in managing its capital structure are to:

i. ensure liquidity to fund ongoing operations and capital programs, the settlement of obligations when due and the payment of regular monthly dividends;

ii. preserve financial flexibility and access to capital markets, including for the pursuit of strategic initiatives; and

iii. maximize shareholder returns considering the risk environment.

Paramount monitors and assesses its capital structure for alignment with its current and long-term business plans and will, guided by its primary capital management objectives, seek to adjust the structure as necessary in response to changes in its business plans, plans for shareholder returns, economic and operating conditions, financial and operating results, strategic initiatives and the Company's assessment of the risk environment. Paramount may adjust its capital structure through a number of means, including by modifying capital spending programs, seeking to issue or repurchase shares, altering debt levels, modifying dividend levels or acquiring or disposing of assets.

The key capital management measures used by the Company in monitoring and assessing its capital structure are net (cash) debt, adjusted funds flow, the ratio of net debt to adjusted funds flow and free cash flow. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Readers are referred to the Specified Financial Measures section of this MD&A and Note 18 – Capital Structure in the Consolidated Financial Statements for important additional information concerning these measures.

The calculation of net (cash) debt is as follows:

As at December 31	2023	2022
Cash and cash equivalents	(48.9)	(2.5)
Accounts receivable (1)	(155.0)	(216.5)
Prepaid expenses and other	(9.0)	(9.1)
Accounts payable and accrued liabilities	272.5	229.9
Long-term debt	–	159.4
Net (cash) debt	59.6	161.2

(1) Excludes accounts receivable relating to lease incentives and subleases (December 31, 2023 – $0.8 million, December 31, 2022 – $6.7 million).

Net (cash) debt does not account for the $540.9 million carrying value of the Company's investments in securities as at December 31, 2023 (December 31, 2022 – $557.1 million).

Paramount's operations are capital intensive and adequate sources of liquidity are required to fund ongoing exploration and development activities, discharge asset retirement obligations and satisfy its other contractual obligations and commitments. Paramount's available capital resources include cash from operating activities, available capacity under the Paramount Facility, the terms of which are described further below, and, from time to time, cash and cash equivalents.

Based on the forecasts of 2024 sales volumes and the pricing assumptions set out in this MD&A under "Revised Guidance", Paramount expects to fully fund its forecast 2024 annual maintenance and sustaining capital expenditures, abandonment and reclamation expenditures and regular monthly dividends from cash from operating activities. Paramount expects to utilize borrowing capacity under the Paramount Facility to fund any portion of its forecast 2024 growth capital expenditures not otherwise funded by cash from operating activities or other sources.

The ability of cash from operating activities to satisfy the Company's funding requirements in 2024 and future years is dependent on a number of factors, including commodity prices, sales volumes, royalties, operating and transportation costs, general and administrative and interest expenses and foreign currency exchange rates.

Paramount may also determine to divest of assets or investments in securities from time to time to reduce indebtedness or fund operations. In February 2024, the Company completed the 2024 Kaybob Disposition for cash proceeds of approximately $47 million. In the first quarter of 2023, Paramount completed the 2023 Kaybob Disposition for cash proceeds of $370.2 million and repaid all remaining drawings then outstanding under the Paramount Facility. In October 2022, the Company closed the Roads Disposition for cash proceeds of $64.2 million, which was used to reduce indebtedness under the Paramount Facility. Subject to market conditions and availability, proceeds from new debt and/or equity financings may also provide additional sources of capital from time to time.

Paramount Facility

The Paramount Facility is a $1.0 billion financial covenant-based senior secured revolving bank credit facility. The maturity date of the Paramount Facility is May 3, 2026. At Paramount's request, the credit limit of the Paramount Facility can be increased by up to $250 million pursuant to an accordion feature in the facility, subject to incremental lender commitments.

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling $3.1 million at December 31, 2023 (December 31, 2022 – $2.2 million) that reduce the amount available to be drawn on the facility.

For additional information concerning the Paramount Facility, refer to Note 8 in the Consolidated Financial Statements.

Unsecured Letter of Credit Facility

The Company has a $90 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank. Paramount's obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada. The PSG is valid to June 30, 2025. At December 31, 2023, $30.1 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2022 – $24.2 million).

Cash Flow Hedges

The Company had the following electricity swaps at December 31, 2023:

Contract type	Aggregate notional (1)	Remaining term	Average fixed contract rate (1)	Reference (1)	Fair value
Electricity Swaps (Buy)	240 MWh/d	January 2024 – December 2024	$66.13/MWh	AESO Pool Price	1.5
Electricity Swaps (Buy)	240 MWh/d	January 2025 – December 2025	$71.13/MWh	AESO Pool Price	(0.5)
					1.0

(1) Floating hourly rate established by the Alberta Electric System Operator. "MWh" means megawatt-hour.

The Company has classified its electricity swaps as cash flow hedges and applied hedge accounting. There were no changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified at December 31, 2023.

In December 2022, Paramount terminated all $500 million notional amount of its floating-to-fixed interest rate swaps for aggregate cash proceeds to the Company of $10.3 million.

Share Capital

At March 1, 2024, Paramount had 144.4 million Common Shares outstanding (net of 0.4 million Common Shares held in trust under the Company's restricted share unit plan) and 11.4 million options to acquire Common Shares outstanding, of which 3.7 million options are exercisable.

For the year ended December 31, 2023, Paramount issued 1.8 million Common Shares on the exercise of options to acquire Common Shares.

Dividends

For the year ended December 31, 2023, Paramount declared total cash dividends of $2.50 per Common Share or $355.4 million (2022 – $1.13 per Common Share or $160.4 million), comprised of a special dividend of $1.00 per Common Share and regular monthly dividends totaling $1.50 per Common Share. Subsequent to December 31, 2023, the Company paid regular monthly cash dividends of $0.125 per Common Share on January 31, 2024 and February 29, 2024 to shareholders of record on January 15, 2024 and February 15, 2024, respectively.

Normal Course Issuer Bid

In July 2023, Paramount implemented a normal course issuer bid (the "2023 NCIB") under which the Company may purchase up to 7.7 million Common Shares for cancellation. The 2023 NCIB will terminate on the earlier of July 5, 2024 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2023 NCIB are purchased. Purchases of Common Shares under the 2023 NCIB will be made through the facilities of the TSX or alternative Canadian trading systems at the market price at the time of purchase. The Company has not made any purchases of Common Shares under the 2023 NCIB to date.

Paramount previously implemented a normal course issuer bid in June 2022. No shares were purchased under this normal course issuer bid, which expired on June 29, 2023.

FOURTH QUARTER RESULTS

Net Income

Three months ended December 31	2023	2022
Petroleum and natural gas sales	470.5	597.7
Royalties	(68.9)	(84.4)
Sales of commodities purchased	50.2	102.7
Revenue	451.8	616.0
Gain on risk management contracts	53.4	8.1
	505.2	624.1
Expenses		
Operating expense	126.4	119.2
Transportation and NGLs processing	33.2	27.2
Commodities purchased	47.4	100.4
General and administrative	10.5	13.6
Share-based compensation	17.8	13.1
Depletion and depreciation	131.8	95.2
Exploration and evaluation	5.4	4.7
Gain on sale of oil and gas assets	(3.4)	(63.7)
Interest and financing expense (income)	2.0	(2.2)
Accretion of asset retirement obligations	10.8	11.6
Other	(7.3)	(23.4)
	374.6	295.7
Income before tax	130.6	328.4
Income tax expense		
Deferred	18.7	68.5
Net income	111.9	259.9
Net income per common share ($/share)		
Basic	0.78	1.83
Diluted	0.75	1.76

Paramount recorded net income of $111.9 million for the three months ended December 31, 2023 compared to $259.9 million in the same period in 2022. Significant factors contributing to the change are shown below:

Three months ended December 31	
Net income – 2022	**259.9**
• Lower netback in 2023 mainly due to lower commodity prices	(124.4)
• Lower gain on sale of oil and gas assets in 2023	(60.3)
• Higher depletion and depreciation expense in 2023	(36.6)
• Provisions recovery in 2022	(24.0)
• Lower income tax expense in 2023	49.8
• Higher gain on risk management contracts in 2023	45.3
• Other	2.2
Net income – 2023	111.9

Cash From Operating Activities

Three months ended December 31	2023	2022
Operating activities		
Net income	111.9	259.9
Add (deduct):		
Items not involving cash	169.5	102.7
Asset retirement obligations settled	(12.8)	(7.0)
Change in non-cash working capital	18.4	(48.7)
Cash from operating activities	287.0	306.9

Cash from operating activities for the three months ended December 31, 2023 was $287.0 million compared to $306.9 million for the same period in 2022. Significant factors contributing to the change are shown below:

Three months ended December 31	
Cash from operating activities – 2022	**306.9**
• Lower netback in 2023 mainly due to lower commodity prices	(124.4)
• Provisions recovery in 2022	(24.0)
• Change in non-cash working capital	67.1
• Receipts on risk management contract settlements in 2023 compared to payments in 2022	66.0
• Other	(4.6)
Cash from operating activities – 2023	287.0

Adjusted Funds Flow

The following is a reconciliation of adjusted funds flow to cash from operating activities, the most directly comparable measure disclosed in the primary financial statements of the Company:

Three months ended December 31	2023	2022
Cash from operating activities	287.0	306.9
Change in non-cash working capital	(18.4)	48.7
Geological and geophysical expense	2.7	2.1
Asset retirement obligations settled	12.8	7.0
Provisions	–	(24.0)
Adjusted funds flow (1)	284.1	340.7
Adjusted funds flow ($/Boe) (2)	30.48	38.02

(1) Adjusted funds flow is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.
(2) Adjusted funds flow ($/Boe) is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information.

Adjusted funds flow in the fourth quarter of 2023 was $284.1 million compared to $340.7 million in the same period in 2022. Significant factors contributing to the change are shown below:

Three months ended December 31	
Adjusted funds flow – 2022	**340.7**
• Lower netback in 2023 mainly due to lower commodity prices	(124.4)
• Receipts on risk management contract settlements in 2023 compared to payments in 2022	66.0
• Other	1.8
Adjusted funds flow – 2023	284.1

Free Cash Flow

The following is a reconciliation of free cash flow to cash from operating activities, the most directly comparable measure disclosed in the primary financial statements of the Company:

Three months ended December 31	2023	2022
Cash from operating activities	287.0	306.9
Change in non-cash working capital	(18.4)	48.7
Geological and geophysical expense	2.7	2.1
Asset retirement obligations settled	12.8	7.0
Provisions	–	(24.0)
Adjusted funds flow	284.1	340.7
Capital expenditures	(208.9)	(169.6)
Geological and geophysical expense	(2.7)	(2.1)
Asset retirement obligations settled	(12.8)	(7.0)
Free cash flow (1)	59.7	162.0

(1) Free cash flow is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.

Free cash flow in the fourth quarter of 2023 was $59.7 million compared to $162.0 million in the same period in 2022. Significant factors contributing to the change are shown below:

Three months ended December 31	
Free cash flow – 2022	**162.0**
● Lower adjusted funds flow (described in "Adjusted Funds Flow" section above)	(56.6)
● Higher capital expenditures in 2023	(39.3)
● Higher asset retirement obligations settled in 2023	(5.8)
● Higher geological and geophysical expense in 2023	(0.6)
Free cash flow – 2023	59.7

Netback

Three months ended December 31	2023		2022	
		($/Boe)(1)(2)		*($/Boe)(1)(2)*
Natural gas revenue	*83.7*	*2.79*	*194.2*	*6.56*
Condensate and oil revenue	*363.7*	*98.12*	*375.1*	*108.50*
Other NGLs revenue	*22.2*	*36.00*	*27.3*	*48.25*
Royalty income and other revenue	0.9	–	*1.1*	–
Petroleum and natural gas sales	*470.5*	*50.46*	*597.7*	*66.72*
Royalties	*(68.9)*	*(7.39)*	*(84.4)*	*(9.43)*
Operating expense	*(126.4)*	*(13.56)*	*(119.2)*	*(13.31)*
Transportation and NGLs processing	*(33.2)*	*(3.56)*	*(27.2)*	*(3.03)*
Sales of commodities purchased	*50.2*	*5.38*	*102.7*	*11.47*
Commodities purchased	*(47.4)*	*(5.08)*	*(100.4)*	*(11.21)*
Netback (3)	*244.8*	*26.25*	*369.2*	*41.21*
Risk management contract settlements	*43.0*	*4.61*	*(23.0)*	*(2.57)*
Netback including risk management contract settlements (4)	*287.8*	*30.86*	*346.2*	*38.64*

(1) Natural gas revenue shown per Mcf.
(2) When presented on a $/Boe or $/Mcf basis, each of the components of Netback is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.
(3) Netback is a non-GAAP financial measure. Netback presented on a $/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.
(4) Netback including risk management contract settlements is a non-GAAP financial measure. Netback including risk management contract settlements presented on a $/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

Fourth quarter 2023 petroleum and natural gas sales were $470.5 million, a decrease of $127.2 million from the fourth quarter of 2022, due to lower commodity prices.

The impact of changes in prices and sales volumes on petroleum and natural gas sales are as follows:

	Natural gas	Condensate and oil	Other NGLs	Royalty income and other revenue	Total
Three months ended December 31, 2022	194.2	375.1	27.3	1.1	597.7
Effect of changes in prices	(113.1)	(38.5)	(7.6)	–	(159.2)
Effect of changes in sales volumes	2.6	27.1	2.5	–	32.2
Change in royalty income and other revenue	–	–	–	(0.2)	(0.2)
Three months ended December 31, 2023	**83.7**	**363.7**	**22.2**	**0.9**	**470.5**

Sales Volumes

	Three months ended December 31											
	Natural gas (MMcf/d) (1)			Condensate and oil (Bbl/d) (1)			Other NGLs (Bbl/d) (1)			Total (Boe/d) (1)		
	2023	2022	*Chg*	2023	2022	*Chg*	2023	2022	*Chg*	2023	2022	*Chg*
Grande Prairie	**214.4**	189.9	*13%*	**32,382**	29,146	*11%*	**4,742**	3,631	*31%*	**72,860**	64,434	*13%*
Kaybob	**79.8**	96.9	*(18%)*	**5,810**	6,661	*(13%)*	**1,209**	1,671	*(28%)*	**20,324**	24,477	*(17%)*
Central Alberta and Other	**32.0**	35.1	*(9%)*	**2,098**	1,773	*18%*	**747**	841	*(11%)*	**8,164**	8,459	*(3%)*
Total	**326.2**	321.9	*1%*	**40,290**	37,580	*7%*	**6,698**	6,143	*9%*	**101,348**	97,370	*4%*

(1) Readers are referred to the "Product Type Information" section of this document for more information respecting the composition of sales volumes by the specific product types of shale gas, conventional natural gas, NGLs, light and medium crude oil, tight oil and heavy crude oil.

Sales volumes in the fourth quarter of 2023 averaged 101,348 Boe/d (46% liquids), a new quarterly record for the Company, compared to 97,370 Boe/d (45% liquids) in the fourth quarter of 2022.

Grande Prairie Region sales volumes in the fourth quarter of 2023 increased 13 percent to 72,860 Boe/d (51% liquids), compared to 64,434 Boe/d (51% liquids) in the same period in 2022. The increase was mainly due to new wells brought onstream and the completion early in the second quarter of 2023 of infrastructure debottlenecking in the region. Grande Prairie Region sales volumes in the fourth quarter of 2023 were impacted by an estimated 3,400 Boe/d related to the previously disclosed 11 day planned outage of the third-party Wapiti gas processing plant as well as an estimated 2,600 Boe/d related to unplanned outages and curtailments associated with third-party midstream facilities (fourth quarter of 2022 – approximately 5,400 Boe/d of outages and curtailments associated with third-party midstream facilities).

Kaybob Region sales volumes were 20,324 Boe/d (35% liquids) in the fourth quarter of 2023, 4,153 Boe/d lower than the fourth quarter of 2022, mainly due to the 2023 Kaybob Disposition.

Sales volumes in the Central Alberta and Other Region were 8,164 Boe/d (35% liquids) in the fourth quarter of 2023, three percent lower than in the same period in 2022, mainly due to natural declines.

Commodity Prices

Three months ended December 31	2023	2022	% Change
Natural Gas [1]			
Paramount realized natural gas price ($/Mcf)	**2.79**	6.56	*(57)*
AECO daily spot ($/GJ)	**2.18**	4.85	*(55)*
AECO monthly index ($/GJ)	**2.52**	5.29	*(52)*
Dawn ($/MMBtu)	**3.17**	7.14	*(56)*
NYMEX (US$/MMBtu)	**2.91**	6.09	*(52)*
Malin daily index (US$/MMBtu)	**3.64**	14.36	*(75)*
Condensate and Oil [1]			
Paramount realized condensate & oil price ($/Bbl)	**98.12**	108.50	*(10)*
Edmonton light sweet crude oil ($/Bbl)	**97.55**	108.15	*(10)*
Edmonton condensate ($/Bbl)	**104.09**	115.50	*(10)*
West Texas Intermediate crude oil (US$/Bbl)	**78.32**	82.64	*(5)*
Other NGLs [1]			
Paramount realized Other NGLs price ($/Bbl)	**36.00**	48.25	*(25)*
Conway – propane ($/Bbl)	**37.04**	46.45	*(20)*
Belvieu – butane ($/Bbl)	**53.58**	55.77	*(4)*
Foreign Exchange			
$CAD / 1 $US	**1.36**	1.36	–

(1) Realized prices per Mcf and Bbl are supplementary financial measures. Refer to the "Specified Financial Measures" section of this MD&A for more information.

Realized natural gas prices in the fourth quarter of 2022 include the impacts of sales under fixed-price physical contracts. In the fourth quarter of 2022, 27,000 GJ/d of natural gas was sold at a fixed price of CAD$3.78/GJ and 7,000 MMBtu/d of natural gas was sold at a fixed price of US$4.03/MMBtu.

The Company's propane and butane volumes are sold under monthly and long-term contracts. The contracts in place in 2023 had wider differentials relative to benchmark prices compared to the same period in 2022.

Royalties were $68.9 million in the fourth quarter of 2023, $15.5 million lower than the same period in 2022, mainly due to lower petroleum and natural gas sales, partially offset by higher royalty rates. Royalty rates increased from 14.1 percent in the fourth quarter of 2022 to 14.7 percent in the same period in 2023 mainly due to a greater proportion of wells having fully utilized new well royalty incentives in the Grande Prairie Region.

Operating expenses were $126.4 million in the fourth quarter of 2023 compared to $119.2 million in the same period in 2022. Operating expenses were six percent higher in 2023 mainly as a result of higher third-party processing fees from a four percent increase in sales volume compared to 2022 and increased workover and maintenance activities. These increases were partially offset by lower power costs and the impact of the 2023 Kaybob Disposition.

Fourth quarter 2023 operating expenses in the Grande Prairie Region were $84.1 million ($12.54/Boe) compared to $69.9 million ($11.80/Boe) in the fourth quarter of 2022, a 20 percent increase. Grande Prairie Region operating expenses were higher mainly as a result of increased workover and maintenance activities in 2023 as well as a 13 percent increase in the region's sales volumes in the fourth quarter of 2023 compared to the same period in 2022, resulting in higher third-party processing fees. Grande Prairie

Region per unit operating expenses in the fourth quarter of 2023 were higher than the same period in 2022 mainly due to increased workover and maintenance activities.

Total Company per unit operating expenses were $13.56/Boe in the fourth quarter of 2023 compared to $13.31/Boe in the fourth quarter of 2022, mainly due to increased workover and maintenance activities and fixed costs comprising a higher proportion of operating expenses in the Kaybob Region following the 2023 Kaybob Disposition. These impacts were partially offset by higher sales volumes.

Transportation and NGLs processing expense was $33.2 million in the fourth quarter of 2023 compared to $27.2 million in the same period in 2022. The increase was mainly due to higher sales volumes and the impact of a 13th month adjustment recorded in the fourth quarter of 2022 related to volumes shipped in 2022.

Sales of commodities purchased were $50.2 million in the fourth quarter of 2023 compared $102.7 million in the same period in 2022. Commodities purchased were $47.4 million in the fourth quarter of 2023 compared to $100.4 million in the same period in 2022.

Capital Expenditures by Region

Three months ended December 31	2023	2022
Grande Prairie Region	75.8	135.8
Kaybob Region	64.5	11.4
Central Alberta and Other Region	61.7	1.0
Fox and Cavalier Energy	3.9	12.1
Corporate	3.0	9.3
Capital expenditures	**208.9**	169.6

Capital expenditures in the fourth quarter of 2023 totaled $208.9 million, with the majority of spending directed towards drilling and completion activities in the Grande Prairie and Kaybob Regions and drilling, completion and facility expansion activities at Willesden Green in the Central Alberta and Other Region. In December 2023, Paramount completed the expansion of the liquids handling capacity of its Leafland natural gas processing plant at Willesden Green.

QUARTERLY INFORMATION

	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Petroleum and natural gas sales	**470.5**	463.8	374.4	489.7	597.7	618.9	536.2	499.6
Revenue	**451.8**	430.7	380.9	535.7	616.0	607.4	493.7	472.2
Net income	**111.9**	87.2	74.2	197.0	259.9	221.9	182.2	16.6
Per share – basic ($/share)	***0.78***	*0.61*	*0.52*	*1.39*	*1.83*	*1.57*	*1.29*	*0.12*
Per share – diluted ($/share)	***0.75***	*0.59*	*0.50*	*1.33*	*1.76*	*1.51*	*1.24*	*0.11*
Cash from operating activities	**287.0**	207.6	172.2	271.4	306.9	248.9	318.9	174.9
Per share – basic ($/share) [(1)]	***1.99***	*1.45*	*1.20*	*1.91*	*2.17*	*1.76*	*2.26*	*1.25*
Per share – diluted ($/share) [(1)]	***1.93***	*1.40*	*1.16*	*1.84*	*2.08*	*1.69*	*2.16*	*1.20*
Adjusted funds flow [(1)]	**284.1**	234.2	178.7	268.2	340.7	334.3	258.3	237.8
Per share – basic ($/share)	***1.97***	*1.64*	*1.25*	*1.89*	*2.40*	*2.37*	*1.83*	*1.70*
Per share – diluted ($/share)	***1.91***	*1.58*	*1.21*	*1.81*	*2.31*	*2.27*	*1.75*	*1.63*
Free cash flow [(1)]	**59.7**	18.5	30.5	59.8	162.0	137.5	68.3	103.4
Per share – basic ($/share)	***0.41***	*0.13*	0.21	0.42	1.14	0.97	0.48	0.74
Per share – diluted ($/share)	***0.40***	*0.12*	0.21	0.40	1.10	0.93	0.46	0.71
Dividends declared ($/share)	**0.375**	0.375	0.375	1.375	0.35	0.30	0.28	0.20
Sales volumes								
Natural gas (MMcf/d)	**326.2**	323.1	290.2	320.6	321.9	315.9	267.2	272.9
Condensate and oil (Bbl/d)	**40,290**	38,161	34,230	37,916	37,580	38,804	27,750	31,375
Other NGLs (Bbl/d)	**6,698**	6,627	5,648	5,916	6,143	6,144	5,021	5,276
Total (Boe/d)	**101,348**	98,644	88,243	97,269	97,370	97,601	77,312	82,137
Liquids %	***46%***	*45%*	*45%*	*45%*	*45%*	*46%*	*42%*	*45%*
Realized prices [(1)]								
Natural gas ($/Mcf)	**2.79**	2.67	2.43	4.23	6.56	6.39	6.75	5.18
Condensate and oil ($/Bbl)	**98.12**	103.36	94.42	100.66	108.50	112.56	134.65	117.53
Other NGLs ($/Bbl)	**36.00**	33.64	30.86	43.93	48.25	51.20	62.80	61.64
Petroleum and natural gas ($/Boe)	**50.46**	51.11	46.63	55.94	66.72	68.92	76.22	67.59

(1) Adjusted funds flow and free cash flow are capital management measures used by Paramount. Each measure presented on a per share, $/Bbl, $/Mcf or $/Boe basis, other than net income per share, is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

Significant Items Impacting Quarterly Results

Quarterly earnings variances include the impacts of changing sales volumes and realized prices.

- Fourth quarter 2023 earnings include a $53.4 million gain on risk management contracts.
- Third quarter 2023 earnings included the impacts of higher sales volumes following the Alberta wildfires in the second quarter.
- Second quarter 2023 earnings include the impacts of the Alberta wildfires on sales volumes and netback.
- First quarter 2023 earnings include a $121.1 million gain on the sale of oil and gas assets.

- Fourth quarter 2022 earnings include deferred income tax expense of $68.5 million, a provision recovery of $24.0 million and $6.9 million related to the impacts of terminating $500 million of floating-to-fixed interest rate swaps in December 2022.
- Third quarter 2022 earnings include the impacts of higher sales volumes and petroleum and natural gas sales revenue.
- Second quarter 2022 earnings include deferred income tax expense of $55.5 million, a recovery of $46.9 million related to changes in the discounted carrying value of asset retirement obligations in respect of properties that had a nil carrying value and a $41.3 million loss on risk management contracts.
- First quarter 2022 earnings include a $152.0 million loss on risk management contracts.

OTHER INFORMATION

Contractual Obligations

Paramount had the following contractual obligations at December 31, 2023: [1]

	Within 1 year	After one year but not more than three years	After three years but not more than five years	More than five years	Total
Transportation and processing commitments	246.3	499.7	446.8	1,335.1	**2,527.9**
Asset retirement obligations [2]	37.5	81.1	83.8	1,093.0	**1,295.4**
Finance lease and other commitments	14.8	16.5	6.2	22.0	**59.5**
	298.6	**597.3**	**536.8**	**2,450.1**	**3,882.8**

(1) Excludes risk management liabilities and accounts payable and accrued liabilities, which are described in Note 14 in the Consolidated Financial Statements.
(2) Undiscounted, uninflated asset retirement obligations estimated as at December 31, 2023. Estimated costs and timing of settlement are revised from time to time based on new information.

Transportation and processing commitments mainly relate to long-term firm service arrangements for the transportation and processing of the Company's sales volumes.

Contingencies

In the normal course of Paramount's operations, the Company may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty. Paramount does not anticipate that these claims will have a material impact on its financial position.

Tax and royalty legislation and regulations, and government interpretation and administration thereof, continually change. As a result, there are often tax and royalty matters under review by government authorities. All tax and royalty filings are subject to subsequent government audit and potential reassessments. Accordingly, the final amounts may differ materially from amounts estimated and recorded.

Subsequent Event

In February 2024, Paramount completed the 2024 Kaybob Disposition for cash proceeds of approximately $47 million and has retained a 2% no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets.

NEW AND UPDATED ACCOUNTING POLICIES AND STANDARDS

Changes in Accounting Standards

Effective January 1, 2023, the Company adopted the amendment to IAS 1 *Presentation of Financial Statements* that requires the disclosure of material accounting policies rather than significant accounting policies. The adoption of this amendment did not have a material impact on the Consolidated Financial Statements.

Future Changes in Accounting Standards

The International Accounting Standards Board has announced amendments to accounting standards and interpretations and new accounting standards that are effective for annual periods beginning on or after January 1, 2024. These standards and interpretations have not been applied to the Consolidated Financial Statements. Paramount does not expect that these changes will have a material impact on the Company's Consolidated Financial Statements on adoption.

DISCLOSURE CONTROLS AND PROCEDURES

As of the year ended December 31, 2023, an evaluation of the effectiveness of Paramount's disclosure controls and procedures ("DCP"), as defined under National Instrument 52-109 "*Certification of Disclosure in Issuers' Annual and Interim Filings*" ("NI 52-109"), was performed by the Company's Management under the supervision of the Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's DCP are effective as of December 31, 2023.

It should be noted that while the Company's DCP are intended to provide a reasonable level of assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in securities legislation, disclosure controls and procedures cannot be expected to prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management, under the supervision of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting ("ICFR") as defined under NI 52-109 as at December 31, 2023. In making its evaluation, Management used the Committee of Sponsoring Organizations of the Treadway Commission Framework in Internal Control – Integrated Framework (2013). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's ICFR was effective as of December 31, 2023.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

During the year ended December 31, 2023, there was no change in the Company's ICFR that materially affected, or is reasonably likely to materially affect, the Company's ICFR.

RISK FACTORS

Readers should, in conjunction with their review of this MD&A, carefully review the "Risk Factors" section in the Annual Information Form, which is available under the Company's profile on SEDAR+ at www.sedarplus.ca.

Global economies, including that of Canada, have experienced elevated inflation across broad categories of goods and services in recent years. In addition, international conflicts, including in Ukraine and the Middle East, have resulted in additional volatility in global financial and commodity markets and have increased the potential for supply chain constraints and disruptions.

The Company continues to monitor its supply chain and the availability and cost of materials and third-party services. While the Company has not, to date, experienced material interruptions in the availability of supplies or services, it has experienced inflationary cost pressures across its operations. Paramount has responded to these pressures by seeking additional efficiencies in its capital program and operations and through advance planning and ordering aimed at mitigating future cost increases and potential shortages of supplies and services. However, these response measures have not fully offset the inflationary cost pressures that have been experienced.

The existence and economic impact of these conditions and the response thereto increases the Company's exposure to the risks described in the "Risk Factors" section of the Annual Information Form under "Volatility of NGLs, Natural Gas and Oil Prices and Price Differentials", "Uncertainty as to Costs", "Availability of Equipment, Materials and Services", "Market Price of Common Shares", "Investment Risk" and "Hedging, Interest Rates and Foreign Currency Exchange Rates".

CRITICAL ACCOUNTING ESTIMATES

The timely preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures regarding contingent assets and liabilities. Estimates and assumptions are regularly evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in judgments, estimates and assumptions based on new information could result in a material change to the carrying amount of assets or liabilities and have a material impact on assets, liabilities, revenues and expenses recognized in future periods.

A description of the accounting judgments, estimates and assumptions that are considered significant is set out below.

Reserves Estimates

Reserves engineering is an inherently complex and subjective process of estimating underground accumulations of petroleum and natural gas. The process relies on judgments based on the interpretation of available geological, geophysical, engineering and production data. The accuracy of a reserves estimate is a function of the quality and quantity of available data, the interpretation of such data, the accuracy of various economic assumptions and the judgment of those preparing the estimate. Because these estimates depend on many assumptions, all of which may differ from actual results, reserves estimates, and estimates of future net revenue will be different from the sales volumes ultimately recovered and net revenues actually realized. Changes in market conditions, regulatory matters, the results of subsequent drilling, testing and production and other factors may result in revisions to the original estimates.

Estimates of reserves impact the assessment of whether a new well has found economically recoverable reserves, depletion rates, the estimated fair value of petroleum and natural gas properties acquired in a business combination and the estimated recoverable amount of petroleum and natural gas properties used for the purposes of impairment and impairment reversal assessments. Changes in reserves estimates could impact these and other matters resulting in a material impact on earnings.

Exploration or Development

The Company is required to apply judgment when designating a project as exploration and evaluation ("E&E") or development, including assessments of geological and technical characteristics and other factors related to each project.

Exploration and Evaluation Projects

The accounting for E&E projects requires Management to make judgments as to whether exploratory projects have discovered economically recoverable quantities of petroleum and natural gas, which requires the quantity and realizable value of such petroleum and natural gas to be estimated. Previous estimates are sometimes revised as new information becomes available. Where it is determined that an exploratory project did not discover economically recoverable petroleum and natural gas, the costs are written-off as E&E expense.

If hydrocarbons are encountered, but further appraisal activity is required, the exploratory costs remain capitalized as long as sufficient progress is being made in assessing whether the recovery of the petroleum and natural gas is economically viable. The concept of "sufficient progress" is a judgmental area, and it is possible to have exploratory costs remain capitalized for several years while additional exploratory activities are carried out or the Company seeks regulatory, partner or other approvals for development plans. E&E assets are subject to ongoing technical, commercial and Management review to confirm the continued intent to establish the technical feasibility and commercial viability of the discovery. Factors considered by Management in making this assessment may include: project economics, expected quantities of petroleum and natural gas, expected production techniques, drilling results, estimated capital expenditures and production costs, results of other operators in the region and access to infrastructure and potential infrastructure expansions. Where it is determined that an exploratory project is not economically viable, the costs are written-off as E&E expense.

Estimates of Recoverable Amounts

Estimates of recoverable amounts used in impairment and impairment reversal assessments often incorporate level three fair value hierarchy inputs, including estimated volumes and future net revenues from proved plus probable reserves, contingent resource estimates, future net cash flow estimates related to other long-lived assets and internal and external market metrics used to estimate fair value based on comparable assets and transactions. By their nature, such estimates are subject to measurement uncertainty. Changes in such estimates, and differences between actual and estimated amounts, could have a material impact on earnings.

Determination of CGUs

The recoverability of the carrying value of petroleum and natural gas assets is generally assessed at the cash generating unit ("CGU") level. The determination of the properties and other assets grouped within a particular CGU is based on Management’s judgment with respect to the integration between assets, shared infrastructure and cash flows, the overall significance of individual properties and the manner in which Management monitors its operations and allocates capital. Changes in the assets comprising CGUs could have an impact on estimated recoverable amounts used in impairment assessments and could have a material impact on earnings.

Depletion

Depletion rates are determined based on Management’s estimates of the expected usage pattern of the Company’s petroleum and natural gas assets, including assumptions regarding future production volumes, future development capital and the useful lives of production equipment and gathering systems.

Investments in Securities

The Company’s investments in securities are accounted for as fair value through OCI financial assets. Management is required to exercise judgment in estimating the fair value of investments in the securities of corporations that are not publicly traded using available market inputs and other assumptions. Changes in estimates of fair value for such investments could have a material impact on comprehensive income.

Asset Retirement Obligations

Estimates of asset retirement costs are based on assumptions regarding the methods, timing, economic environment and regulatory standards that are expected to exist at the time assets are retired. Management also exercises judgment to determine credit-adjusted risk-free discount and inflation rates at the end of each reporting period which may change in response to numerous market factors. The Company adjusts estimated amounts periodically as assumptions are updated to incorporate new information. The actual amount and timing of payments to settle the obligations may differ materially from estimates.

Provisions

A provision is recognized where the Company has determined that it has a present obligation arising from past events and the settlement of the obligation is expected to result in an outflow of economic benefits. The determination of whether the Company has a present obligation arising from past events requires Management to exercise judgment as to the facts and circumstances of the event and the extent of any expected obligations of Paramount. Changes in facts and circumstances as a result of new information and other developments may impact Management's assessment of the Company's obligations, if any, in respect of such events. Changes in such estimates could have a material impact on Paramount's assets, liabilities, revenues, expenses and earnings.

Share-Based Payments

The Company estimates the grant date fair value of stock options awarded using the Black-Scholes model. The inputs used to determine the estimated fair value of the stock options are based on assumptions regarding share price volatility, the life of the options, forfeiture rates, the risk-free interest rate and the dividend yield on the Common Shares. By their nature, these inputs are subject to measurement uncertainty and require Management to exercise judgment.

Income Taxes

Accounting for income taxes is a complex process requiring Management to interpret frequently changing laws and regulations and make judgments and estimates related to the application of tax law, the timing of temporary difference reversals and the likelihood of realizing deferred income tax assets. All tax filings are subject to subsequent government audits and potential reassessment. These interpretations and judgments, and changes related to them, impact current and deferred income tax provisions, the carrying value of deferred income tax assets and liabilities and could have a material impact on earnings.

Business Combinations

Management is required to exercise judgment in determining whether assets acquired and liabilities assumed constitute a business. A business consists of an integrated set of assets and activities, comprised of inputs and processes, that is capable of being conducted and managed as a business by a market participant.

Business combinations are accounted for using the acquisition method of accounting, whereby the net identifiable assets acquired are recorded at fair value. The fair value of individual assets is often required to be estimated, which may involve estimating the fair values of proved plus probable reserves, contingent resources, tangible assets, undeveloped land, intangible assets and other assets. These estimates incorporate assumptions using indicators of fair value, as determined by Management. Changes in any of the estimates or assumptions used in determining the fair value of the net identifiable assets acquired may impact the carrying values assigned to assets acquired and liabilities assumed and could have a material impact on earnings.

PRODUCT TYPE INFORMATION

This MD&A includes references to sales volumes of "natural gas", "condensate and oil", "NGLs", "Other NGLs" and "liquids". "Natural gas" refers to shale gas and conventional natural gas combined. "Condensate and oil" refers to condensate, light and medium crude oil, tight oil and heavy crude oil combined. "NGLs" refers to condensate and Other NGLs combined. "Other NGLs" refers to ethane, propane and butane. "Liquids" refers to condensate and oil and Other NGLs combined. Below is a complete breakdown of sales volumes for applicable periods by the specific product types of shale gas, conventional natural gas, NGLs, light and medium crude oil, tight oil and heavy crude oil. Numbers may not add due to rounding.

	2023				2022				Annual		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2023	2022	2021
SALES VOLUMES – TOTAL COMPANY BY PRODUCT TYPE											
Shale gas (MMcf/d)	**271.8**	276.7	246.0	265.2	260.0	253.8	203.7	213.1	265.2	232.9	207.9
Conventional natural gas (MMcf/d)	**54.4**	46.4	44.2	55.4	61.9	62.1	63.5	59.8	49.9	61.8	67.3
Natural gas (MMcf/d)	**326.2**	323.1	290.2	320.6	321.9	315.9	267.2	272.9	315.1	294.7	275.2
Condensate (Bbl/d)	**37,522**	35,984	32,341	34,706	34,616	35,747	25,374	29,064	35,148	31,228	28,328
Other NGLs (Bbl/d)	**6,698**	6,627	5,648	5,916	6,143	6,144	5,021	5,276	6,226	5,650	5,147
NGLs (Bbl/d)	**44,220**	42,611	37,989	40,622	40,759	41,891	30,395	34,340	41,374	36,878	33,475
Light and medium crude oil (Bbl/d)	**1,636**	1,154	942	2,151	2,335	2,608	1,974	1,874	1,469	2,200	2,174
Tight oil (Bbl/d)	**699**	627	538	599	629	449	402	437	616	480	487
Heavy crude oil (Bbl/d)	**433**	396	409	460	–	–	–	–	424	–	–
Crude oil (Bbl/d)	**2,768**	2,177	1,889	3,210	2,964	3,057	2,376	2,311	2,509	2,680	2,661
Total (Boe/d)	**101,348**	98,644	88,243	97,269	97,370	97,601	77,312	82,137	96,393	88,672	82,001

SALES VOLUMES – BY REGION BY PRODUCT TYPE											
GRANDE PRAIRIE REGION											
Shale gas (MMcf/d)	**214.1**	222.8	196.1	204.0	188.4	188.2	138.8	151.4	209.3	166.9	138.8
Conventional natural gas (MMcf/d)	**0.3**	0.4	0.3	0.4	1.5	1.4	1.0	1.1	0.4	1.3	2.2
Natural gas (MMcf/d)	**214.4**	223.2	196.4	204.4	189.9	189.6	139.8	152.5	209.7	168.2	141.0
Condensate (Bbl/d)	**32,155**	32,145	30,046	31,367	29,146	30,610	22,511	26,042	31,433	27,095	25,253
Other NGLs (Bbl/d)	**4,742**	4,815	4,012	4,074	3,631	3,758	2,914	3,267	4,414	3,394	3,103
NGLs (Bbl/d)	**36,897**	36,960	34,058	35,441	32,777	34,368	25,425	29,309	35,847	30,489	28,356
Light and medium crude oil (Bbl/d)	**–**	–	–	–	–	5	5	6	–	4	5
Tight oil (Bbl/d)	**227**	220	159	–	–	–	–	–	152	–	–
Crude oil (Bbl/d)	**227**	220	159	–	–	5	5	6	152	4	5
Total (Boe/d)	**72,860**	74,381	66,950	69,507	64,434	65,981	48,736	54,737	70,943	58,519	51,869

KAYBOB REGION											
Shale gas (MMcf/d)	**30.2**	28.0	21.7	31.8	41.9	38.5	37.9	35.7	28.2	38.5	38.6
Conventional natural gas (MMcf/d)	**49.6**	41.7	38.4	49.6	55.0	54.8	56.7	53.6	44.6	55.0	58.6
Natural gas (MMcf/d)	**79.8**	69.7	60.1	81.4	96.9	93.3	94.6	89.3	72.8	93.5	97.2
Condensate (Bbl/d)	**4,003**	2,981	1,301	2,315	4,354	4,157	2,092	2,130	2,655	3,192	2,295
Other NGLs (Bbl/d)	**1,209**	1,188	891	988	1,671	1,666	1,585	1,558	1,070	1,620	1,612
NGLs (Bbl/d)	**5,212**	4,169	2,192	3,303	6,025	5,823	3,677	3,688	3,725	4,812	3,907
Light and medium crude oil (Bbl/d)	**1,602**	1,131	914	2,121	2,045	2,434	1,946	1,832	1,440	2,066	2,129
Tight oil (Bbl/d)	**205**	104	115	206	262	208	253	322	158	261	355
Crude oil (Bbl/d)	**1,807**	1,235	1,029	2,327	2,307	2,642	2,199	2,154	1,598	2,327	2,484
Total (Boe/d)	**20,324**	17,027	13,238	19,201	24,477	24,021	21,642	20,726	17,449	22,730	22,588

	2023				2022				Annual		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2023	2022	2021
CENTRAL ALBERTA AND REGION											
Shale gas (MMcf/d)	27.5	25.9	28.2	29.4	29.7	27.1	27.0	26.0	27.7	27.5	30.5
Conventional natural gas (MMcf/d)	4.5	4.3	5.5	5.4	5.4	5.9	5.8	5.1	4.9	5.5	6.5
Natural gas (MMcf/d)	32.0	30.2	33.7	34.8	35.1	33.0	32.8	31.1	32.6	33.0	37.0
Condensate (Bbl/d)	1,364	858	994	1,024	1,116	980	771	892	1,060	941	781
Other NGLs (Bbl/d)	747	624	745	854	841	720	522	451	742	636	432
NGLs (Bbl/d)	2,111	1,482	1,739	1,878	1,957	1,700	1,293	1,343	1,802	1,577	1,213
Light and medium crude oil (Bbl/d)	34	23	28	30	290	169	23	36	29	130	40
Tight oil (Bbl/d)	267	303	264	393	367	241	149	115	306	219	131
Heavy crude oil (Bbl/d)	433	396	409	460	–	–	–	–	424	–	–
Crude oil (Bbl/d)	734	722	701	883	657	410	172	151	759	349	171
Total (Boe/d)	8,164	7,236	8,055	8,561	8,459	7,599	6,934	6,674	8,001	7,423	7,544

The Company forecasts that 2024 annual sales volumes will average between 100,000 Boe/d and 106,000 Boe/d (53% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% Other NGLs). First half 2024 sales volumes are expected to average between 96,000 Boe/d and 100,000 Boe/d (53% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% Other NGLs). Second half 2024 sales volumes are expected to average between 104,000 Boe/d and 112,000 Boe/d (53% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% Other NGLs).

SPECIFIED FINANCIAL MEASURES

Non-GAAP Financial Measures

Netback and netback including risk management contract settlements are non-GAAP financial measures. These measures are not standardized measures under IFRS and might not be comparable to similar financial measures presented by other issuers. These measures should not be considered in isolation or construed as alternatives to their most directly comparable measure disclosed in the Company's primary financial statements or other measures of financial performance calculated in accordance with IFRS.

Netback equals petroleum and natural gas sales (the most directly comparable measure disclosed in the Company's primary financial statements) plus sales of commodities purchased less royalties, operating expense, transportation and NGLs processing expense and commodities purchased. Sales of commodities purchased and commodities purchased are treated as corporate items and are not allocated to individual regions or properties. Netback is used by investors and Management to compare the performance of the Company's producing assets between periods.

Netback including risk management contract settlements equals netback after including (or deducting) risk management contract settlements received (paid). Netback including risk management contract settlements is used by investors and Management to assess the performance of the producing assets after incorporating Management's risk management strategies.

A calculation of netback and netback including risk management contract settlements for the years ended December 31, 2023 and 2022 and for the three months ended December 31, 2023 and 2022 is provided in this MD&A under "Operating Results – Netback" and "Fourth Quarter Results – Netback", respectively.

Non-GAAP Ratios

Netback and netback including risk management contract settlements presented on a $/Boe basis are non-GAAP ratios as they each have a non-GAAP financial measure (netback and netback including risk management contract settlements, respectively) as a component. These measures are not standardized measures under IFRS and might not be comparable to similar financial measures presented by other issuers. These measures should not be considered in isolation or construed as alternatives to their most directly comparable measure disclosed in the Company's primary financial statements or other measures of financial performance calculated in accordance with IFRS.

Netback on a $/Boe basis is calculated by dividing netback for the applicable period by the total sales volumes during the period in Boe. Netback including risk management contract settlements on a $/Boe basis is calculated by dividing netback including risk management contract settlements for the applicable period by the total sales volumes during the period in Boe. These measures are used by investors and Management to assess netback and netback including risk management contract settlements on a unit of sales volumes basis.

Capital Management Measures

Adjusted funds flow, free cash flow, net (cash) debt and net debt to adjusted funds flow are capital management measures that Paramount utilizes in managing its capital structure. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Refer to Note 18 – Capital Structure in the Consolidated Financial Statements for a description of the composition and use of these measures. Refer also to "Liquidity and Capital Resources" in this MD&A.

A reconciliation of adjusted funds flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the (i) the years ended December 31, 2023, 2022 and 2021 is provided in this MD&A under "Consolidated Results – Adjusted Funds Flow" and (ii) the three months ended December 31, 2023, and 2022 is provided in this MD&A under "Fourth Quarter Results – Adjusted Funds Flow".

A reconciliation of free cash flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the (i) the years ended December 31, 2023, 2022 and 2021 is provided in this MD&A under "Consolidated Results – Free Cash Flow" and (ii) the three months ended December 31, 2023, and 2022 is provided in this MD&A under "Fourth Quarter Results – Free Cash Flow".

A calculation of net (cash) debt as at December 31, 2023 and 2022 is provided in this MD&A under "Liquidity and Capital Resources". At December 31, 2023, Paramount's net debt to adjusted funds flow (determined on a trailing four quarter basis) was 0.1x (December 31, 2022 – 0.1x).

Supplementary Financial Measures

This MD&A contains supplementary financial measures expressed as: (i) cash from operating activities, adjusted funds flow and free cash flow on a per share – basic and per share – diluted basis, (ii) petroleum and natural gas sales, adjusted funds flow, revenue, royalties, operating expenses, transportation and NGLs processing expenses, sales of commodities purchased and commodities purchased on a $/Bbl, $/Mcf or $/Boe basis and (iii) royalty rate.

Cash from operating activities, adjusted funds flow and free cash flow on a per share – basic basis are calculated by dividing cash from operating activities, adjusted funds flow or free cash flow, as applicable, over the referenced period by the weighted average basic shares outstanding during the period determined under IFRS. Cash from operating activities, adjusted funds flow and free cash flow on a per share – diluted basis are calculated by dividing cash from operating activities, adjusted funds flow or free cash flow, as applicable, over the referenced period by the weighted average diluted shares outstanding during the period determined under IFRS.

Petroleum and natural gas sales, adjusted funds flow, revenue, royalties, operating expenses, transportation and NGLs processing expenses, sales of commodities purchased and commodities purchased on a $/Bbl, $/Mcf or $/Boe basis are calculated by dividing petroleum and natural gas sales, adjusted funds flow, revenue, royalties, operating expenses, transportation and NGLs processing expenses, sales of commodities purchased and commodities purchased, as applicable, over the referenced period by the aggregate units (Bbl, Mcf or Boe) of sales volumes during such period.

Royalty rate is calculated by dividing royalties by petroleum and natural gas sales less royalty income and other revenue.

ADVISORIES

Forward-looking Information

Certain statements in this MD&A constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "estimate", "will", "expect", "plan", "schedule", "intend", "propose", or similar words suggesting future outcomes or an outlook. Forward-looking information in this document includes, but is not limited to:

- forecast sales volumes for 2024 and certain periods therein;
- planned capital expenditures in 2024 and the allocation thereof between sustaining and maintenance capital and growth capital;
- planned abandonment and reclamation expenditures in 2024;
- forecast free cash flow in 2024;
- the expected sources of funding for forecast 2024 capital expenditures, abandonment and reclamation expenditures and regular monthly dividends;
- the anticipation that legal proceedings will not have a material impact on Paramount's financial position;
- the expectation that changes to accounting standards and interpretations will not have a material impact on the Company's Consolidated Financial Statements on adoption; and
- the potential payment of future dividends.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect. Assumptions have been made with respect to the following matters, in addition to any other assumptions identified in this document:

- future commodity prices;
- the impact of international conflicts, including in Ukraine and the Middle East;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates, interest rates and the rate and impacts of inflation;
- general business, economic and market conditions;
- the performance of wells and facilities;
- the availability to Paramount of the funds required for exploration, development and other operations and the meeting of commitments and financial obligations;
- the ability of Paramount to obtain equipment, materials, services and personnel in a timely manner and at expected and acceptable costs to carry out its activities;
- the ability of Paramount to secure adequate processing, transportation, fractionation, disposal and storage capacity on acceptable terms and the capacity and reliability of facilities;
- the ability of Paramount to obtain the volumes of water required for completion activities;
- the ability of Paramount to market its production successfully;
- the ability of Paramount and its industry partners to obtain drilling success (including in respect of anticipated sales volumes, reserves additions, product yields and product recoveries) and operational improvements, efficiencies and results consistent with expectations;
- the timely receipt of required governmental and regulatory approvals;
- the application of regulatory requirements respecting abandonment and reclamation;
- the merits of outstanding and pending legal proceedings; and
- anticipated timelines and budgets being met in respect of: (i) drilling programs and other operations, including well completions and tie-ins, (ii) the construction, commissioning and start-up of new and

expanded third-party and Company facilities, including the new natural gas processing facility at Willesden Green, and (iii) facility turnarounds and maintenance.

Although Paramount believes that the expectations reflected in such forward-looking information are reasonable based on the information available at the time of this MD&A, undue reliance should not be placed on the forward-looking information as Paramount can give no assurance that such expectations will prove to be correct. Forward-looking information is based on expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Paramount and described in the forward-looking information. The material risks and uncertainties include, but are not limited to:

- those risks set out in this MD&A under "Risk Factors";
- fluctuations in commodity prices;
- changes in capital spending plans and planned exploration and development activities;
- changes in foreign currency exchange rates, interest rates and the rate of inflation;
- the uncertainty of estimates and projections relating to future production, product yields (including condensate to natural gas ratios), revenue, free cash flow, reserves additions, product recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate processing, transportation, fractionation, disposal and storage capacity on acceptable terms;
- operational risks in exploring for, developing, producing and transporting natural gas and liquids, including the risk of spills, leaks or blowouts;
- the ability to obtain equipment, materials, services and personnel in a timely manner and at expected and acceptable costs, including the potential effects of inflation and supply chain disruptions;
- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities, including third-party facilities and the new natural gas processing facility at Willesden Green;
- processing, transportation, fractionation, disposal and storage outages, disruptions and constraints;
- potential limitations on access to the volumes of water required for completion activities due to drought, conditions of low river flow, government restrictions or other factors;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves estimates;
- general business, economic and market conditions;
- the ability to generate sufficient cash from operating activities to fund, or to otherwise finance planned exploration, development and operational activities and meet current and future commitments and obligations (including asset retirement obligations, processing, transportation, fractionation and similar commitments and obligations);
- changes in, or in the interpretation of, laws, regulations or policies (including environmental laws);
- the ability to obtain required governmental or regulatory approvals in a timely manner and to obtain and maintain leases and licenses, including those required for the new natural gas processing facility at Willesden Green;
- the effects of weather and other factors including wildlife and environmental restrictions which affect field operations and access;
- uncertainties as to the timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- uncertainties regarding Indigenous claims and in maintaining relationships with local populations and other stakeholders;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and

- other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities.

There are risks that may result in the Company changing, suspending or discontinuing its monthly dividend program, including changes to its free cash flow, operating results, capital requirements, financial position, market conditions or corporate strategy and the need to comply with requirements under debt agreements and applicable laws respecting the declaration and payment of dividends. There are no assurances as to the continuing declaration and payment of future dividends or the amount or timing of any such dividends.

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risk Factors" in Paramount's Annual Information Form for the year ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, Paramount undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

Certain forward-looking information in this MD&A, including forecast free cash flow in 2024, may also constitute a "financial outlook" within the meaning of applicable securities laws. A financial outlook involves statements about Paramount's prospective financial performance or position and is based on and subject to the assumptions and risk factors described above in respect of forward-looking information generally as well as any other specific assumptions and risk factors in relation to such financial outlook noted in this MD&A. Such assumptions are based on management's assessment of the relevant information currently available and any financial outlook included in this MD&A is provided for the purpose of helping readers understand Paramount's current expectations and plans for the future. Readers are cautioned that reliance on any financial outlook may not be appropriate for other purposes or in other circumstances and that the risk factors described above or other factors may cause actual results to differ materially from any financial outlook.

Oil and Gas Measures and Definitions

Liquids	
Bbl	Barrels
Bbl/d	Barrels per day
NGLs	Natural gas liquids
Condensate	Pentane and heavier hydrocarbons
WTI	West Texas Intermediate

Oil Equivalent	
Boe	Barrels of oil equivalent
Boe/d	Barrels of oil equivalent per day

Natural Gas	
Mcf	Thousands of cubic feet
MMcf/d	Millions of cubic feet per day
GJ	Gigajoules
GJ/d	Gigajoules per day
MMBtu	Millions of British Thermal Units
MMBtu/d	Millions of British Thermal Units per day
NYMEX	New York Mercantile Exchange
AECO	AECO-C reference price

This MD&A contains disclosures expressed as "Boe", "$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. 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 the year ended December 31, 2023, the value ratio between crude oil and natural gas was approximately 36:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value.

Pricing Sensitivity

The below table reflects forecast 2024 free cash flow under the revised 2024 guidance and, for illustrative comparison, two alternative pricing scenarios:

	Revised 2024 Guidance	Alternative Scenario 1	Alternative Scenario 2
WTI	US$80.00/Bbl	US$77.50/Bbl	US$75.00/Bbl
NYMEX	US$3.50/MMBtu	US$3.00/MMBtu	US$2.40/MMBtu
AECO	$2.84/GJ	$2.37/GJ	$1.90/GJ
2024 Free Cash Flow	$235 million	$135 million	$25 million

Forecast 2024 free cash flow is forward-looking information. See "Forward-looking Information" in these Advisories.

Consolidated Financial Statements
As at December 31, 2023 and 2022 and for the years then ended

MANAGEMENT'S REPORT

The accompanying Consolidated Financial Statements of Paramount Resources Ltd. (the "Company") are the responsibility of Management and have been approved by the Company's Board of Directors. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain estimates that reflect Management's best judgments. If alternate accounting methods exist, Management has chosen those policies it considers the most appropriate in the circumstances. Financial information included in the Company's annual report, including Management's Discussion and Analysis, is consistent with these Consolidated Financial Statements.

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The Company's internal control system was designed to provide reasonable assurance that all transactions are recorded that are necessary for the preparation and presentation of financial statements in accordance with International Financial Reporting Standards, that such transactions are recorded accurately and that the Company's assets are safeguarded.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Board of Directors fulfills this responsibility through the Audit Committee, which is comprised entirely of non-Management directors. The Audit Committee meets regularly with Management and the independent auditors to ensure that Management's responsibilities are properly discharged and to review the Consolidated Financial Statements. The Audit Committee reports its findings to the Board of Directors for consideration when approving the annual Consolidated Financial Statements for issuance. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the independent auditors.

Ernst & Young LLP, independent auditors appointed by the shareholders of the Company, audits the Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards. Ernst & Young LLP has full and free access to the Board of Directors, the Audit Committee and Management.

/s/ J.H.T. Riddell
J.H.T. Riddell
President and Chief Executive Officer and Chairman

/s/ P.R. Kinvig
P.R. Kinvig
Chief Financial Officer

March 5, 2024

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Paramount Resources Ltd.

Opinion

We have audited the consolidated financial statements of Paramount Resources Ltd. and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of shareholders' equity for the years ended December 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023 and 2022 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of investments in level three fair value hierarchy securities

As discussed in notes 1(m), 3 and 7 in the consolidated financial statements, the Company measures its Level One and Level Three investments in securities at fair value with the corresponding fair value change recognized in other comprehensive income. The valuation is performed by the Company using a fair value hierarchy: Level One are valuations based on quoted prices (unadjusted) in active markets; and Level Three are valuations based on unobservable inputs for the assets. As at December 31, 2023, the Company held investments in Level Three securities of $118.9 million. The fair value of the investments in Level Three securities are based on valuation techniques that incorporate unobservable inputs. These valuation techniques utilize market-based metrics of comparable companies and transactions, indicators of value based on equity transactions of the entities and other indicators of value including financial and operational results of the entities. The valuation of the investments in Level Three securities is a key audit matter given the inherently subjective nature of significant unobservable inputs that require judgment.

To test the Company's estimated valuation of investments in Level Three securities, we performed the following audit procedures, amongst others:

- We involved our internal valuation specialists to evaluate the appropriateness of the underlying valuation methodology used for each significant investment.
- Our internal valuation specialists assessed the implied valuation metrics derived from the Company’s valuation conclusions for each investment against that of observable public companies and transactions, as appropriate.
- Confirmed the number of shares owned with the entities.
- We evaluated the completeness and accuracy of the Company’s disclosures relating to investments to assess appropriateness and completeness with IFRS disclosure requirements.

Assessment of the impact of oil and gas reserves on PP&E

As described in notes 1(e), 1(f), 3 and 6, to the consolidated financial statements, the Company uses oil and gas reserves in the calculation of depletion expense for its developed oil and gas assets included in property, plant and equipment ("PP&E") and to estimate the recoverable amount of the Company's cash generating units if indicators of impairment or impairment reversal are identified. The Company had $2,874.1 million of PP&E at December 31, 2023. Depletion and depreciation expense was $401.9 million for the year ended December 31, 2023 and no indicators of impairment were identified.

The estimate of oil and gas reserves requires the expertise of independent third party reserve evaluators and includes significant assumptions related to forecasted:

- oil and gas commodity prices
- production
- operating costs
- royalty rates
- future development costs

We identified the assessment of the impact of estimated oil and gas reserves on PP&E as a key audit matter due to the significant auditor judgment, subjectivity and effort in performing procedures relating to the assumptions outlined above.

To test the estimated oil and gas reserves, our procedures included, among others:

- Evaluating the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Company. The appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the methods and inputs.
- Comparing forecasted oil and gas commodity prices to those published by other independent third-party reserve evaluators.
- Comparing the 2023 actual production, operating costs, royalty costs and development costs of the Company to those assumptions used in the prior year's estimate of oil and gas reserves to assess the Company's ability to accurately forecast.
- Evaluating the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development costs assumptions by comparing to historical results. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.
- We recalculated depletion and depreciation expense.
- We evaluated the adequacy of the applicable disclosures in the consolidated financial statements in respect to these matters.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert Troy Jubenvill.

Ernst + Young LLP

Chartered Professional Accountants

Calgary, Alberta
March 5, 2024

CONSOLIDATED BALANCE SHEETS
($ millions)

As at December 31	Note	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	17	48.9	2.5
Accounts receivable	14	155.8	223.2
Risk management – current	14	9.9	19.7
Prepaid expenses and other		9.0	9.1
Assets held for sale	4	–	251.7
		223.6	506.2
Investments in securities	7	540.9	557.1
Risk management – long-term	14	–	2.9
Exploration and evaluation	5	546.6	485.7
Property, plant and equipment, net	6	2,874.1	2,456.3
Deferred income tax	13	203.5	329.1
		4,388.7	4,337.3
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	14	272.5	229.9
Risk management – current	14	–	9.8
Asset retirement obligations and other – current	9	40.5	40.7
Liabilities associated with assets held for sale	4	–	2.0
		313.0	282.4
Long-term debt	8	–	159.4
Risk management – long-term	14	0.5	–
Asset retirement obligations and other – long-term	9	576.0	517.4
		889.5	959.2
Commitments and contingencies	20		
Shareholders' equity			
Share capital	10	2,302.0	2,267.1
Retained earnings		632.4	517.6
Reserves	11	564.8	593.4
		3,499.2	3,378.1
		4,388.7	4,337.3

See the accompanying notes to these Consolidated Financial Statements

On behalf of the Board of Directors

/s/ J.H.T. Riddell
J.H.T. Riddell, Director

/s/ K. Lynch Proctor
K. Lynch Proctor, Director

March 5, 2024

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
($ millions, except as noted)

Year ended December 31	Note	2023	2022
Petroleum and natural gas sales		1,798.5	2,252.4
Royalties		(254.3)	(335.3)
Sales of commodities purchased		255.1	272.0
Revenue	15	1,799.3	2,189.1
Gain (loss) on risk management contracts	14	53.1	(182.7)
		1,852.4	2,006.4
Expenses			
Operating expense		453.8	407.1
Transportation and NGLs processing		134.4	123.7
Commodities purchased		250.2	267.0
General and administrative		49.4	42.7
Share-based compensation	12	33.4	25.3
Depletion and depreciation	6	401.9	286.0
Exploration and evaluation	5	13.5	30.6
Gain on sale of oil and gas assets	4,5,6	(126.3)	(65.6)
Interest and financing	8,17	6.5	6.4
Accretion of asset retirement obligations	9	43.2	44.9
Other	16	(7.3)	(27.5)
		1,252.7	1,140.6
Income before tax		599.7	865.8
Income tax expense			
Deferred	13	129.5	185.2
		129.5	185.2
Net income		470.2	680.6
Other comprehensive income (loss), net of tax	11		
Items that will be reclassified to net income			
Change in fair value of cash flow hedges, net of tax		(4.1)	20.4
Reclassification to net income, net of tax		(3.4)	(6.8)
Items that will not be reclassified to net income			
Change in fair value of securities, net of tax	7	(15.5)	208.3
Comprehensive income		447.2	902.5
Net income per common share ($/share)	10		
Basic		3.29	4.83
Diluted		3.17	4.63

See the accompanying notes to these Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ millions)

Year ended December 31	Note	2023	2022
Operating activities			
Net income		**470.2**	680.6
Add (deduct):			
Items not involving cash	17	**482.4**	503.5
Asset retirement obligations settled	9	**(54.6)**	(36.1)
Change in non-cash working capital		**40.2**	(98.4)
Cash from operating activities		**938.2**	1,049.6
Financing activities			
Net repayment of revolving long-term debt	8	**(161.8)**	(229.5)
Lease liabilities – principal repayments	9	**(4.1)**	(7.3)
Dividends	10	**(355.4)**	(160.4)
Common Shares issued, net of issue costs	10	**16.8**	21.2
RSU plan	12	**(10.4)**	(17.2)
Cash used in financing activities		**(514.9)**	(393.2)
Investing activities			
Capital expenditures	5,6	**(732.1)**	(655.0)
Land and property acquisitions	5,6	**(79.2)**	(145.8)
Proceeds of disposition	4,6,7	**377.3**	119.1
Investments	7	**(1.4)**	(1.8)
Change in non-cash working capital		**58.7**	29.5
Cash used in investing activities		**(376.7)**	(654.0)
Net increase		**46.6**	2.4
Foreign exchange on cash and cash equivalents		**(0.2)**	(1.6)
Cash and cash equivalents, beginning of year		**2.5**	1.7
Cash and cash equivalents, end of year		**48.9**	**2.5**

See the accompanying notes to these Consolidated Financial Statements

Supplemental cash flow information	17		

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

($ millions, except as noted)

Year ended December 31	Note	2023		2022	
		Shares (millions)		*Shares (millions)*	
Share capital					
Balance, beginning of year		*142.0*	2,267.1	*139.2*	2,251.9
Issued on exercise of Paramount Options	10,12	*1.8*	22.1	*2.1*	27.9
Change in Common Shares for RSU plan	12	*0.4*	12.8	*0.7*	(12.7)
Balance, end of year		*144.2*	2,302.0	*142.0*	2,267.1
Retained earnings (accumulated deficit)					
Balance, beginning of year			517.6		(15.5)
Net income			470.2		680.6
Dividends	10		(355.4)		(160.4)
Reclassification of accumulated gain on securities	7,11		–		12.9
Balance, end of year			632.4		517.6
Reserves	11				
Balance, beginning of year			593.4		370.0
Other comprehensive income (loss)			(23.0)		221.9
Contributed surplus			(5.6)		14.4
Reclassification of accumulated gain on securities	7		–		(12.9)
Balance, end of year			564.8		593.4
Shareholders' equity			3,499.2		3,378.1

See the accompanying notes to these Consolidated Financial Statements

1. Summary of Material Accounting Policies

Paramount Resources Ltd. ("Paramount" or the "Company") is an independent, publicly traded, liquids-rich natural gas focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas. The Company also pursues longer-term strategic exploration and pre-development plays and holds a portfolio of investments in other entities. Paramount's principal properties are located in Alberta and British Columbia.

Paramount is the ultimate parent company of a consolidated group of companies and is incorporated and domiciled in Canada. The address of the Company's registered office is Suite 4700, 888 – 3rd Street SW, Calgary, Alberta T2P 5C5. The consolidated group includes wholly-owned subsidiaries Fox Drilling Limited Partnership ("Fox Drilling"), Cavalier Energy Inc. ("Cavalier Energy") and MGM Energy.

These consolidated financial statements, as at December 31, 2023 and 2022 and for the years then ended (the "Consolidated Financial Statements"), were authorized for issuance by Paramount's Board of Directors on March 5, 2024.

Basis of Preparation

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis, except for certain financial instruments. The Company's accounting policies have been applied consistently to all years presented. Amounts in these Consolidated Financial Statements are stated in millions of Canadian dollars, unless otherwise noted. Certain comparative figures have been reclassified to conform to the current year's presentation.

The financial statements of Paramount's subsidiaries and partnerships are prepared for the same reporting periods as the parent in accordance with the Company's accounting policies. All intercompany balances and transactions have been eliminated.

The preparation of these Consolidated Financial Statements requires the use of certain accounting estimates and also requires Management to exercise judgment in applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, and areas where assumptions and estimates are significant to the Consolidated Financial Statements, are described in Note 3.

a) Revenue Recognition

Revenue from petroleum and natural gas sales are recognized when control of the volumes produced is transferred to the purchaser, which generally occurs when the purchaser obtains the legal right to possession of such volumes, assumes the risks and rewards of ownership and payment from the purchaser is reasonably assured.

Paramount purchases commodities from third parties from time to time to fulfill sales commitments and for blending purposes. The Company sells these products to its customers. These transactions are presented as separate revenue and expense items in the consolidated statements of comprehensive income.

The Company accounts for its forward physical delivery sales contracts, which are entered into and continue to be held for the purpose of delivery of non-financial items, as executory contracts in accordance with expected sales requirements. These contracts are not considered derivative financial instruments.

Settlements of these physical contracts are recognized in revenue over the term of the contracts as physical delivery occurs.

b) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash in bank accounts and, from time to time, term deposits, certificates of deposit and other highly liquid investments.

c) Trade and Other Receivables

Accounts receivable are carried at amortized cost and are recorded as corresponding amounts of revenue are recognized or costs are incurred on behalf of partners in connection with joint operations.

d) Exploration and Evaluation

Costs related to the exploration for and evaluation of hydrocarbons, including costs of acquiring unproved properties, drilling and completing exploratory wells and the associated asset retirement cost estimates, are initially capitalized, pending determination of technical feasibility and commercial viability. If hydrocarbons are found, but further appraisal activity is required to determine commercial viability, the exploration and evaluation ("E&E") costs continue to be recognized as an asset. All such costs are subject to technical, commercial, and Management review at least annually to confirm the continued intent to establish the technical feasibility and commercial viability of the project.

When the technical feasibility and commercial viability of a project have been established, the E&E costs are transferred to petroleum and natural gas assets, subject to an impairment assessment. When the Company determines that an E&E project is no longer viable or its carrying value exceeds its recoverable amount, an impairment charge is recognized.

Exploratory geological and geophysical costs, pre-license costs and annual lease rentals are expensed as incurred.

e) Property, Plant and Equipment

Petroleum and natural gas assets are carried at cost, net of accumulated depletion and depreciation and include costs related to drilling and completing development wells, infrastructure construction, successful E&E projects and estimated asset retirement costs.

Paramount’s drilling rigs (the "Rigs") are carried at cost, net of accumulated depreciation. Costs incurred to improve the capabilities of the Rigs, extend their useful lives or replace significant components are capitalized. When a significant component is replaced, the carrying value of the replaced component is derecognized.

Depletion and Depreciation

The capitalized costs of developed oil and gas properties are depleted over volumes of estimated proved plus probable reserves using the unit-of-production method. In determining applicable depletion rates, estimated future development costs ascribed to such reserves are included in the numerator. For purposes of these calculations, volumes of natural gas production and reserves are converted to barrels of oil equivalent using a ratio of six thousand cubic feet of natural gas to one barrel (6:1). Depletion rates are revised annually, or more frequently when events dictate. E&E assets are not depleted.

Capitalized costs of the majority of Paramount's production equipment and gathering systems are depleted on a unit-of-production basis over the volume of estimated proved plus probable reserves ascribed to the property to which they relate. Capitalized costs of processing plants and other major infrastructure assets are depreciated on a straight-line basis over their expected useful lives, which extend up to 48 years.

The Rigs are depreciated on a straight-line basis by component over their expected useful lives, which range between 5 and 20 years.

f) Impairment and Impairment Reversal of Non-Financial Assets

Carrying values of the Company's non-financial assets are reviewed at each reporting date to determine whether any indicators of impairment are present, or whether there are any indicators that an impairment loss recognized in prior periods may no longer exist or may have decreased. For the purpose of impairment testing, non-financial assets are generally grouped together into cash-generating units ("CGU"), which consist of the smallest group of assets that generate cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Company's developed oil and gas properties have been grouped into three CGUs: Grande Prairie, Kaybob and Central Alberta and Other. The Company's E&E assets, consisting mainly of undeveloped land, are aggregated together into a single group for the purpose of impairment testing.

If an indicator of impairment or impairment reversal is identified for a particular asset or CGU, its recoverable amount is estimated. If the carrying value of such asset or CGU exceeds its estimated recoverable amount, an impairment charge is recognized. If the estimated recoverable amount of an asset or CGU that was previously impaired exceeds its carrying value, impairment charges recognized in prior periods are reversed to a maximum of the carrying value that would have been determined, net of depletion and amortization, had no impairment charges been recognized for that CGU in prior periods.

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). In assessing FVLCD, the Company estimates the value a potential purchaser would ascribe to an asset or CGU. For oil and gas properties, FVLCD is generally estimated based on expected after-tax future net cash flows from the production of proved plus probable reserves volumes using forecast commodity prices and costs, discounted using market-based rates. VIU is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU including an allocation of corporate costs.

g) Joint Arrangements

Paramount conducts its exploration and development activities independently, as well as jointly with others through jointly controlled assets and operations. All of the Company's current interests in joint arrangements are classified as joint operations. To account for these arrangements, Paramount recognizes its proportionate share of the revenues, expenses, assets and liabilities of such joint operations.

h) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method of accounting. Under this method, the net identifiable assets acquired are measured at fair value on the acquisition date, except for deferred income tax amounts. Any excess of the consideration paid over the value of the net identifiable assets acquired is recognized as goodwill. Any deficiency in the consideration transferred compared to the value of the net identifiable assets acquired is recognized in earnings. Costs incurred to complete the business combination are expensed. When an acquisition does not qualify as a business combination, the assets are measured at the fair value of the consideration paid (including any liabilities assumed) on the acquisition date.

i) Provisions

A provision is recognized where the Company has a present legal and/or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

j) Asset Retirement Obligations

Asset retirement obligations arise from legal and/or constructive obligations to abandon and reclaim petroleum and natural gas assets, including oil and gas wells, gathering systems and facilities at the end of their productive lives. The present value of an asset retirement obligation is recognized in the consolidated balance sheet when incurred and a reasonable estimate of the cost of settlement can be made. The present value of the obligation is determined using the applicable credit-adjusted risk-free discount rate, after applying an estimated cost inflation factor, and is adjusted for the passage of time, which is recognized as accretion expense. The present values of estimated future asset retirement costs are capitalized as part of the carrying value of the related petroleum and natural gas assets and E&E assets. The capitalized estimated future asset retirement costs related to petroleum and natural gas assets are depleted on the same basis as the underlying assets. Revisions to the timing, anticipated cost, discount rate and inflation rate relating to the estimated liability are accounted for prospectively by recording an adjustment to the asset retirement obligation liability, with a corresponding adjustment to the carrying value of the related asset. Where changes to asset retirement obligations relate to properties which have a nil carrying value, the corresponding change is recorded in depletion and depreciation expense.

Actual costs incurred on settlement are applied against the asset retirement obligation liability. Differences between the actual costs incurred and the liability accrued are recognized in earnings when the abandonment and reclamation of a property is complete.

k) Foreign Currency Translation

The functional and presentation currency of Paramount and its subsidiaries is the Canadian dollar.

l) Estimates of Fair Value

Inputs used to estimate fair values incorporated in the preparation of the Consolidated Financial Statements are categorized into one of three levels of a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels are defined as follows:

Level One – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level Two – Inputs are based on information other than quoted prices included within Level One that are observable for the asset or liability, either directly or indirectly, including:

a) quoted prices for similar assets or liabilities in active markets;

b) quoted prices for identical or similar assets or liabilities in markets that are not active;

c) inputs other than quoted prices that are observable for the asset or liability, for example:

i. interest rates and yield curves observable at commonly quoted intervals;
ii. implied volatilities; and
iii. credit spreads; and

d) market-corroborated inputs.

Level Three – Inputs are unobservable. Unobservable inputs are developed using the best information available in the circumstances, which may incorporate Paramount's own internally generated data.

m) Financial Instruments and Other Comprehensive Income

Financial Instruments

The Company is exposed to market risks from changes in commodity prices, interest rates, foreign currency exchange rates, credit risk and liquidity risk. From time to time, Paramount enters into derivative financial instruments to manage certain of these risks.

Financial instruments are measured at fair value on initial recognition. The measurement of a financial instrument in subsequent periods is dependent upon whether it has been classified as "fair value through profit or loss", "fair value through other comprehensive income ("OCI")" or "amortized cost".

Paramount's risk management assets and liabilities relating to financial commodity contracts, foreign currency exchange contracts and other derivatives not accounted for as cash flow hedges are classified as fair value through profit or loss. Fair value through profit or loss financial instruments are measured at fair value, with changes in their fair values over time being recognized in net earnings. The fair values of the Company's risk management assets and liabilities relating to these instruments are estimated using a market approach incorporating level two fair value hierarchy inputs, including forward market curves and price quotes for similar instruments provided by financial institutions.

Investments in securities are classified as fair value through OCI. Financial assets that are classified as fair value through OCI are measured at fair value with changes in such fair values being accumulated in OCI until the asset is sold or derecognized. Upon the disposition or derecognition of an investment in securities, amounts previously recorded in OCI in respect of such investment are reclassified to retained earnings.

Investments in securities that are listed on a public stock exchange are classified as level one fair value hierarchy securities and carried at their period-end trading price (level one fair value hierarchy estimate). Investments in securities that are not listed on a public stock exchange are classified as level three fair value hierarchy securities. Estimates of fair values for these investments are based on valuation techniques that incorporate unobservable inputs (level three fair value hierarchy inputs). These valuation techniques utilize market-based metrics of comparable companies and transactions, indicators of value based on equity transactions of the entities and other indicators of value including financial and operational results of the entities. Fair value estimates of level three fair value hierarchy securities are updated at each balance sheet date to confirm whether the carrying value of the investment continues to fall within a range of possible fair values indicated by such techniques. Changes in assumptions, as well as changes in judgments regarding comparable transactions and entities, could result in a material change in the estimated fair values of investments in level three fair value hierarchy securities in future periods. Dividends from investees are included in cash from operating activities.

Financial liabilities, including related transaction costs, are measured at amortized cost using the effective interest method.

Hedge Accounting

The Company applies hedge accounting to certain financial instruments when such instruments are formally documented and designated at inception as qualifying hedging relationships. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, the Company's risk management objective and strategy for undertaking the hedge and how the hedging relationship will be assessed to meet hedge effectiveness requirements. Paramount's risk management assets and liabilities related to electricity swaps are accounted for as cash flow hedges.

Hedge effectiveness is evaluated by assessing the critical terms of the hedging relationship at inception, at the end of each reporting date and upon a significant change in the circumstances affecting hedge effectiveness. For a cash flow hedge, the change in the unrealized fair value of the effective portion of the hedging instrument is recognized in OCI. Accumulated gains or losses are reclassified from OCI to earnings as amounts are settled throughout the term of the arrangement. Any portion of the change in the fair value of the hedging instrument related to hedge ineffectiveness is recognized in earnings or reclassed from OCI to earnings when applicable.

Other Comprehensive Income

For Paramount, OCI is comprised of changes in the fair value of investments in securities and changes in the fair value of financial instruments where hedge accounting is applied (effective portion of hedge). Amounts recorded in OCI each period are presented in the consolidated statement of comprehensive income. Cumulative changes in OCI are included in Reserves, which is presented within shareholders' equity in the consolidated balance sheet.

n) Impairment of Financial Assets

The Company recognizes provisions for expected credit losses upon the initial recognition of financial assets and re-assesses the provision at each reporting date. The provision is adjusted as a result of changes in historical default rates, age of balances outstanding and counterparty credit metrics.

o) Income Taxes

Paramount follows the liability method of accounting for income taxes. Under this method, a deferred income tax asset or liability is recognized in respect of any temporary difference between the carrying amount of an asset or liability reported in the consolidated balance sheet and its respective tax basis, using substantively enacted income tax rates. Deferred income tax balances are adjusted to reflect changes in substantively enacted income tax rates expected to apply when the underlying assets are realized or liabilities are settled, with adjustments being recognized in deferred tax expense in the period in which the change occurs.

Deferred income tax assets are recognized to the extent future realization is considered probable. The carrying value of deferred income tax assets are reviewed at each reporting date taking into consideration historical and expected future taxable income, expected reversals of temporary differences, anticipated timing of realization, tax basis carry-forward periods and other factors. Deferred income tax assets are de-recognized to the extent that it is not probable that the carrying value of the asset will be realized.

p) Share-Based Compensation

Paramount Stock Option Plan

Paramount has a stock option plan that enables its Board of Directors or Compensation Committee to grant options to acquire Common Shares ("Paramount Options") to key employees and directors. Paramount Options generally vest over five years and expire within six years of the grant date. The provisions of the plan permit the Company to settle the Paramount Options in Common Shares of the Company or in cash.

The Company accounts for Paramount Options as equity-settled share-based compensation transactions. The aggregate grant date fair value of stock options awarded is recognized as share-based compensation expense over the applicable vesting period on a straight-line basis, with a corresponding increase in Contributed Surplus. The grant date fair value of Paramount Options is estimated using the Black-Scholes model, and such value is not adjusted in future periods. The amount of share-based compensation expense recognized each period reflects the portion of the vesting term that has elapsed and the estimated number of options that are expected to vest. That estimate is adjusted each period such that the cumulative amount recognized on the vesting date reflects the actual number of Paramount Options that ultimately vest. Upon the exercise of a Paramount Option, the Company transfers the cumulative amount recognized in Contributed Surplus in respect of that option to Share Capital.

Restricted Share Unit Plan

Paramount's cash bonus and restricted share unit ("RSU") plan provides that rights to Common Shares may be awarded to employees annually. An independent trustee purchases Common Shares in the open market and holds such shares until completion of the vesting period. Generally, the awards vest over two years. The unvested portion of awards is initially recorded as a reduction to Paramount's Share Capital. The grant date fair value of such awards is then recognized over the vesting period as share-based compensation expense, with a corresponding increase to Contributed Surplus. Upon vesting of awards, the related Contributed Surplus is reclassified to Share Capital.

q) Net Income Per Share

Basic net income per share is calculated by dividing net income by the weighted average number of Common Shares outstanding during the year. Diluted net income per share is calculated by adjusting net income and the weighted average number of Common Shares outstanding for the effects of dilution related to Paramount Options outstanding during the period. Common Shares held in trust under the RSU plan are not included in the calculation of the weighted average number of Common Shares outstanding. For Paramount Options, the number of dilutive Common Shares is determined using the treasury stock method.

r) Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at the date of inception and upon modifications. An arrangement is a lease when the terms of the agreement relate to the use of a specific asset and the lessee has the right to control the use of the specified asset.

On the date a leased asset is first available for use by the Company, a right-of-use ("ROU") asset and a corresponding lease liability are recognized. The ROU asset is depreciated over the lease term and the lease liability is reduced as payments are made under the agreement. Each lease payment is allocated between a principal repayment and an interest component.

Assets and liabilities recognized in respect of leases are recorded on a discounted basis. Lease liabilities consist of the net present value of the aggregate future contractual lease payments. Where the rate implicit in a lease is not readily determinable, lease payments are discounted using the Company's incremental borrowing rate. ROU assets are recognized at the amount corresponding to the amount of the initial lease liability. Lease payments in respect of short-term leases with terms of less than twelve months, or in respect of leases for which the underlying asset is of low value, are expensed as incurred.

s) Government Grants

Government grants are recognized when there is reasonable assurance that the relevant conditions of the grant are met and the grant will be received. The Company records the grant in the Consolidated Financial Statements with the related expenditure in the period in which the eligible costs are incurred. Asset retirement obligation settlements approved for funding under government programs are recorded as a reduction in depletion and depreciation expense in the consolidated statement of comprehensive income in the year in which the related eligible costs are incurred.

t) Assets Held for Sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered through sale instead of continuing use. This condition is met when the sale is highly probable and the assets are available for immediate sale in their present condition. For the sale to be highly probable, Management must be at least committed to a plan to sell the assets and have initiated an active program to locate a buyer. The assets must also be actively marketed for sale at a price that is reasonable in relation to their current fair value and the sale should be expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the carrying amount and recoverable amount, with impairments or impairment reversals recognized in the consolidated statement of comprehensive income. Non-current assets classified as held for sale and their associated liabilities are presented in current assets and current liabilities within the consolidated balance sheet and are not depleted, depreciated or amortized.

2. New and Updated Accounting Policies and Standards

Changes in Accounting Standards

Effective January 1, 2023, the Company adopted the amendment to IAS 1 *Presentation of Financial Statements* that requires the disclosure of material accounting policies rather than significant accounting policies. The adoption of this amendment did not have a material impact on the Consolidated Financial Statements.

Future Changes in Accounting Standards

The IASB has announced amendments to accounting standards and interpretations and new accounting standards that are effective for annual periods beginning on or after January 1, 2024. These standards and interpretations have not been applied to the Consolidated Financial Statements. Paramount does not expect that these changes will have a material impact on the Company's Consolidated Financial Statements on adoption.

3. Management Judgments, Assumptions & Accounting Estimates

The timely preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures regarding contingent assets and liabilities. Estimates and assumptions are regularly evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in judgments, estimates and assumptions based on new information could result in a material change to the carrying amount of assets or liabilities and have a material impact on assets, liabilities, revenues and expenses recognized in future periods.

A description of the accounting judgments, estimates and assumptions that are considered significant is set out below.

Reserves Estimates

Reserves engineering is an inherently complex and subjective process of estimating underground accumulations of petroleum and natural gas. The process relies on judgments based on the interpretation of available geological, geophysical, engineering and production data. The accuracy of a reserves estimate is a function of the quality and quantity of available data, the interpretation of such data, the accuracy of various economic assumptions and the judgment of those preparing the estimate. Because these estimates depend on many assumptions, all of which may differ from actual results, reserves estimates, and estimates of future net revenue will be different from the sales volumes ultimately recovered and net revenues actually realized. Changes in market conditions, regulatory matters, the results of subsequent drilling, testing and production and other factors may result in revisions to the original estimates.

Estimates of reserves impact the assessment of whether a new well has found economically recoverable reserves, depletion rates, the estimated fair value of petroleum and natural gas properties acquired in a business combination and the estimated recoverable amount of petroleum and natural gas properties used for the purposes of impairment and impairment reversal assessments. Changes in reserves estimates could impact these and other matters resulting in a material impact on earnings.

Exploration or Development

The Company is required to apply judgment when designating a project as E&E or development, including assessments of geological and technical characteristics and other factors related to each project.

Exploration and Evaluation Projects

The accounting for E&E projects requires Management to make judgments as to whether exploratory projects have discovered economically recoverable quantities of petroleum and natural gas, which requires the quantity and realizable value of such petroleum and natural gas to be estimated. Previous estimates are sometimes revised as new information becomes available. Where it is determined that an exploratory project did not discover economically recoverable petroleum and natural gas, the costs are written-off as E&E expense.

If hydrocarbons are encountered, but further appraisal activity is required, the exploratory costs remain capitalized as long as sufficient progress is being made in assessing whether the recovery of the petroleum and natural gas is economically viable. The concept of "sufficient progress" is a judgmental area, and it is possible to have exploratory costs remain capitalized for several years while additional exploratory activities are carried out or the Company seeks regulatory, partner or other approvals for development plans. E&E

assets are subject to ongoing technical, commercial and Management review to confirm the continued intent to establish the technical feasibility and commercial viability of the discovery. Factors considered by Management in making this assessment may include: project economics, expected quantities of petroleum and natural gas, expected production techniques, drilling results, estimated capital expenditures and production costs, results of other operators in the region and access to infrastructure and potential infrastructure expansions. Where it is determined that an exploratory project is not economically viable, the costs are written-off as E&E expense.

Estimates of Recoverable Amounts

Estimates of recoverable amounts used in impairment and impairment reversal assessments often incorporate level three fair value hierarchy inputs, including estimated volumes and future net revenues from proved plus probable reserves, contingent resource estimates, future net cash flow estimates related to other long-lived assets and internal and external market metrics used to estimate fair value based on comparable assets and transactions. By their nature, such estimates are subject to measurement uncertainty. Changes in such estimates, and differences between actual and estimated amounts, could have a material impact on earnings.

Determination of CGUs

The recoverability of the carrying value of petroleum and natural gas assets is generally assessed at the CGU level. The determination of the properties and other assets grouped within a particular CGU is based on Management's judgment with respect to the integration between assets, shared infrastructure and cash flows, the overall significance of individual properties and the manner in which Management monitors its operations and allocates capital. Changes in the assets comprising CGUs could have an impact on estimated recoverable amounts used in impairment assessments and could have a material impact on earnings.

Depletion

Depletion rates are determined based on Management's estimates of the expected usage pattern of the Company's petroleum and natural gas assets, including assumptions regarding future production volumes, future development capital and the useful lives of production equipment and gathering systems.

Investments in Securities

The Company's investments in securities are accounted for as fair value through OCI financial assets. Management is required to exercise judgment in estimating the fair value of investments in the securities of corporations that are not publicly traded using available market inputs and other assumptions. Changes in estimates of fair value for such investments could have a material impact on comprehensive income.

Asset Retirement Obligations

Estimates of asset retirement costs are based on assumptions regarding the methods, timing, economic environment and regulatory standards that are expected to exist at the time assets are retired. Management also exercises judgment to determine credit-adjusted risk-free discount and inflation rates at the end of each reporting period which may change in response to numerous market factors. The Company adjusts estimated amounts periodically as assumptions are updated to incorporate new information. The actual amount and timing of payments to settle the obligations may differ materially from estimates.

Provisions

A provision is recognized where the Company has determined that it has a present obligation arising from past events and the settlement of the obligation is expected to result in an outflow of economic benefits. The determination of whether the Company has a present obligation arising from past events requires Management to exercise judgment as to the facts and circumstances of the event and the extent of any expected obligations of Paramount. Changes in facts and circumstances as a result of new information and other developments may impact Management's assessment of the Company's obligations, if any, in respect of such events. Changes in such estimates could have a material impact on Paramount's assets, liabilities, revenues, expenses and earnings.

Share-Based Payments

The Company estimates the grant date fair value of Paramount Options awarded using the Black-Scholes model. The inputs used to determine the estimated fair value of the stock options are based on assumptions regarding share price volatility, the life of the options, forfeiture rates, the risk-free interest rate and the dividend yield on the Common Shares. By their nature, these inputs are subject to measurement uncertainty and require Management to exercise judgment.

Income Taxes

Accounting for income taxes is a complex process requiring Management to interpret frequently changing laws and regulations and make judgments and estimates related to the application of tax law, the timing of temporary difference reversals and the likelihood of realizing deferred income tax assets. All tax filings are subject to subsequent government audits and potential reassessment. These interpretations and judgments, and changes related to them, impact current and deferred income tax provisions, the carrying value of deferred income tax assets and liabilities and could have a material impact on earnings.

Business Combinations

Management is required to exercise judgment in determining whether assets acquired and liabilities assumed constitute a business. A business consists of an integrated set of assets and activities, comprised of inputs and processes, that is capable of being conducted and managed as a business by a market participant.

Business combinations are accounted for using the acquisition method of accounting, whereby the net identifiable assets acquired are recorded at fair value. The fair value of individual assets is often required to be estimated, which may involve estimating the fair values of proved plus probable reserves, contingent resources, tangible assets, undeveloped land, intangible assets and other assets. These estimates incorporate assumptions using indicators of fair value, as determined by Management. Changes in any of the estimates or assumptions used in determining the fair value of the net identifiable assets acquired may impact the carrying values assigned to assets acquired and liabilities assumed and could have a material impact on earnings.

(Tabular amounts stated in $ millions, except as noted)

4. Assets Held for Sale

In December 2022, Paramount entered into an agreement to sell its Kaybob Smoky and Kaybob South Duvernay properties and certain other minor interests in the Kaybob region, all of which were included in the Kaybob CGU. The transaction closed in January 2023. Paramount received cash proceeds of $370.2 million on the sale, resulting in a $120.6 million gain on sale of oil and gas assets in 2023.

The assets and liabilities associated with the sale were presented as held for sale at December 31, 2022, as follows:

As at December 31	2022
Property, plant and equipment, net	217.7
Exploration and evaluation	34.0
Assets held for sale	251.7
Asset retirement obligations	2.0
Liabilities associated with assets held for sale	2.0

5. Exploration and Evaluation

Year ended December 31	2023	2022
Balance, beginning of year	485.7	539.9
Additions	0.4	0.4
Acquisitions	66.2	34.7
Change in asset retirement provision	1.5	(0.2)
Transfers to property, plant and equipment	(2.2)	(33.1)
Expired lease costs	(3.3)	(21.8)
Dispositions	(1.7)	(0.2)
Transfer to assets held for sale (see Note 4)	–	(34.0)
Balance, end of year	546.6	485.7

Exploration and Evaluation Expense

Year ended December 31	2023	2022
Geological and geophysical expense	10.2	8.8
Expired lease costs	3.3	21.8
	13.5	30.6

At December 31, 2023, the Company assessed its E&E assets for indicators of potential impairment or impairment reversal and none were identified.

(Tabular amounts stated in $ millions, except as noted)

6. Property, Plant and Equipment

Year ended December 31, 2023	Petroleum and natural gas assets	Drilling rigs	Right-of-use assets	Other	Total
Cost					
Balance, December 31, 2022	4,651.0	159.3	24.8	59.5	4,894.6
Additions	708.6	18.7	14.8	10.5	752.6
Acquisitions	13.3	–	–	–	13.3
Transfers	2.2	–	–	–	2.2
Dispositions	(1.2)	–	(1.6)	–	(2.8)
Derecognition	–	(2.2)	(8.3)	(12.6)	(23.1)
Change in asset retirement provision	38.4	–	–	–	38.4
Cost, December 31, 2023	5,412.3	175.8	29.7	57.4	5,675.2
Accumulated depletion and depreciation					
Balance, December 31, 2022	(2,295.0)	(90.1)	(14.9)	(38.3)	(2,438.3)
Depletion and depreciation	(369.9)	(9.0)	(3.9)	(5.4)	(388.2)
Dispositions	0.7	–	1.6	–	2.3
Derecognition	–	2.2	8.3	12.6	23.1
Accumulated depletion and depreciation, December 31, 2023	(2,664.2)	(96.9)	(8.9)	(31.1)	(2,801.1)
Net book value, December 31, 2022	2,356.0	69.2	9.9	21.2	2,456.3
Net book value, December 31, 2023	2,748.1	78.9	20.8	26.3	2,874.1

Year ended December 31, 2022	Petroleum and natural gas assets	Drilling rigs	Right-of-use assets	Other	Total
Cost					
Balance, December 31, 2021	4,315.1	169.6	16.1	50.7	4,551.5
Additions	623.3	22.2	9.0	15.0	669.5
Acquisitions	116.1	–	–	–	116.1
Transfers	33.1	–	–	–	33.1
Dispositions	(9.9)	(3.9)	(0.1)	–	(13.9)
Derecognition	–	(28.6)	(0.2)	(6.2)	(35.0)
Change in asset retirement provision	(67.4)	–	–	–	(67.4)
Transfer to assets held for sale (See Note 4)	(359.3)	–	–	–	(359.3)
Cost, December 31, 2022	4,651.0	159.3	24.8	59.5	4,894.6
Accumulated depletion and depreciation					
Balance, December 31, 2021	(2,119.6)	(109.5)	(11.7)	(41.0)	(2,281.8)
Depletion and depreciation	(322.3)	(12.8)	(3.5)	(3.5)	(342.1)
Dispositions	5.3	3.6	0.1	–	9.0
Derecognition	–	28.6	0.2	6.2	35.0
Transfer to assets held for sale (See Note 4)	141.6	–	–	–	141.6
Accumulated depletion and depreciation, December 31, 2022	(2,295.0)	(90.1)	(14.9)	(38.3)	(2,438.3)
Net book value, December 31, 2021	2,195.5	60.1	4.4	9.7	2,269.7
Net book value, December 31, 2022	2,356.0	69.2	9.9	21.2	2,456.3

In 2022, the Company closed two property acquisitions in the Willesden Green area of Alberta, which is included in the Central Alberta and Other CGU, for total cash consideration of $98.3 million. Both of these acquisitions were accounted for as asset acquisitions, with an aggregate $91.1 million being allocated to property, plant and equipment, $9.5 million allocated to exploration and evaluation assets and $2.3 million allocated to asset retirement obligations.

(Tabular amounts stated in $ millions, except as noted)

In October 2022, the Company closed the sale of approximately 60 kilometers of operated resources roads in the Kaybob CGU for cash proceeds of $64.2 million. A gain of $62.4 million was recognized on the sale.

In the fourth quarter of 2022, Fox Drilling permanently decommissioned two of its conventional drilling rigs. A charge of $2.6 million was recorded to depletion and depreciation expense to derecognize the carrying value of the rigs.

Depletion and Depreciation

Year ended December 31	2023	2022
Depletion and depreciation	382.0	335.8
Change in asset retirement obligations	19.9	(39.8)
Alberta site rehabilitation program funding	–	(10.0)
	401.9	286.0

At December 31, 2023, the Company assessed its property, plant and equipment assets for indicators of potential impairment and none were identified.

For the year ended December 31, 2023, the Company recorded a charge of $19.9 million (December 31, 2022 – recovery of $39.8 million) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment. The changes mainly resulted from revisions in the credit-adjusted risk-free rate used to discount the Company's asset retirement obligations.

7. Investments in Securities

As at December 31	2023	2022
Level one fair value hierarchy securities ("Level One Securities")	422.0	477.3
Level three fair value hierarchy securities ("Level Three Securities")	118.9	79.8
	540.9	557.1

Level One Securities at December 31, 2023 included 37.3 million common shares of NuVista Energy Ltd. ("NuVista Shares") (December 31, 2022 – 37.3 million common shares), which had a carrying value of $411.3 million (December 31, 2022 – $464.9 million).

Level Three Securities at December 31, 2023 and 2022 included investments in the shares of Sultran Ltd. and Westbrick Energy Ltd.

The Company recorded an unrealized loss of $17.1 million, before tax, to OCI for the year ended December 31, 2023 (2022 – unrealized gain of $235.3 million) related to changes in the fair value estimates of its investments in securities.

In 2022, Paramount disposed of 2.5 million NuVista Shares as well as investments in other Level One Securities and Level Three Securities for aggregate proceeds of $56.8 million, resulting in $12.9 million of accumulated net gains, net of tax, being reclassified from reserves to retained earnings.

(Tabular amounts stated in $ millions, except as noted)

Changes in the fair value of investments in securities are as follows:

Year ended December 31	2023	2022
Investments in securities, beginning of year	557.1	372.1
Changes in fair value of Level One Securities	(56.6)	222.4
Changes in fair value of Level Three Securities	39.5	12.9
Changes in fair value of warrants – recorded in earnings	(0.5)	0.4
Acquired – cash	1.4	1.8
Acquired – non-cash	–	4.3
Proceeds of dispositions – cash	–	(52.8)
Proceeds of dispositions – non-cash	–	(4.0)
Investments in securities, end of year	**540.9**	**557.1**

8. Long-Term Debt

As at December 31	2023	2022
Paramount Facility (1)	–	159.4

(1) Presented net of $2.4 million in unamortized transaction costs at December 31, 2022.

Paramount Facility

The Company has a $1.0 billion financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility"). The maturity date of the Paramount Facility is May 3, 2026. At Paramount's request, the credit limit of the Paramount Facility can be increased by up to $250 million pursuant to an accordion feature in the facility, subject to incremental lender commitments.

Borrowings under the Paramount Facility bear interest at the prime lending rate, US base rate, Canadian Dollar Offered Rates or Adjusted Term SOFR, as selected by the Company, plus an applicable margin which varies based on the Company's Senior Secured Debt to Consolidated EBITDA ratio. The Paramount Facility is secured by a charge over substantially all of the assets of the Company and its subsidiaries.

Paramount is subject to the following two financial covenants under the Paramount Facility which are tested at the end of each fiscal quarter and calculated on a trailing twelve-month basis:

- Senior Secured Debt to Consolidated EBITDA to be 3.50 to 1.00 or less; and
- Consolidated EBITDA to Consolidated Interest Expense to be 2.50 to 1.00 or greater.

Senior Secured Debt currently consists of any amounts drawn on the Paramount Facility.

Consolidated EBITDA is adjusted for material acquisitions and dispositions and is generally calculated as net income before Consolidated Interest Expense, taxes, depletion, depreciation, amortization, impairment and exploration and evaluation expense and is also adjusted to exclude non-recurring items and other non-cash items including gains or losses on dispositions of oil and gas assets, unrealized mark-to-market amounts on derivatives, unrealized foreign exchange gains and losses, share-based compensation expense and accretion.

Consolidated Interest Expense is reduced by customary adjustments including interest income.

The Paramount Facility also contains a covenant requiring prior lender consent for the payment of dividends and other distributions if the Senior Secured Debt to Consolidated EBITDA ratio is greater than 2.50 to 1.00 *pro forma* the payment of the distribution.

(Tabular amounts stated in $ millions, except as noted)

Paramount was in compliance with the financial covenants under the Paramount Facility at December 31, 2023.

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling $3.1 million at December 31, 2023 (December 31, 2022 – $2.2 million) that reduce the amount available to be drawn on the facility.

Unsecured Letter of Credit Facility

The Company has a $90 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank. Paramount's obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada. The PSG is valid to June 30, 2025. At December 31, 2023, $30.1 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2022 – $24.2 million).

9. Asset Retirement Obligations and Other

As at December 31, 2023	Current	Long-term	Total
Asset retirement obligations	37.5	549.8	587.3
Lease liabilities	3.0	26.2	29.2
Asset retirement obligations and other	**40.5**	**576.0**	**616.5**

As at December 31, 2022	Current	Long-term	Total
Asset retirement obligations	37.7	502.4	540.1
Lease liabilities	3.0	15.0	18.0
Asset retirement obligations and other	**40.7**	**517.4**	**558.1**

Asset Retirement Obligations

Year ended December 31	2023	2022
Asset retirement obligations, beginning of year	540.1	651.1
Additions	5.9	4.7
Change in estimates	10.5	(16.3)
Change in discount rate	42.8	(95.7)
Obligations settled – cash	(54.6)	(36.1)
Obligations settled – funding under Alberta site rehabilitation program	–	(10.0)
Dispositions	(0.6)	(0.5)
Transfer to liabilities associated with assets held for sale (see Note 4)	–	(2.0)
Accretion expense	43.2	44.9
Asset retirement obligations, end of year	**587.3**	540.1

As at December 31, 2023, estimated undiscounted, uninflated asset retirement obligations were $1,295.4 million (December 31, 2022 – $1,296.0 million). Asset retirement obligations have been determined using a credit-adjusted risk-free discount rate of 7.75 percent per annum (December 31, 2022 – 8.5 percent per annum) and an inflation rate of 2.0 percent per annum (December 31, 2022 – 2.0 percent per annum). These obligations are expected to be settled over the next 48 years.

(Tabular amounts stated in $ millions, except as noted)

Lease Liabilities

Year ended December 31	2023	2022
Lease liabilities, beginning of year	18.0	12.6
Additions	14.7	15.3
Interest expense	1.5	0.6
Obligations settled	(5.0)	(10.5)
Lease liabilities, end of year	29.2	18.0

Paramount has lease liabilities in respect of office space and vehicles, which have been recognized at the discounted value of the remaining fixed lease payments. For the year ended December 31, 2023, total cash principal payments made in respect of these lease liabilities, net of sublease arrangements, were $4.1 million, (2022 – $7.3 million). For the year ended December 31, 2023, $0.5 million (2022 – $2.3 million) was received in respect of office sublease arrangements.

For the year ended December 31, 2023, expenses related to arrangements containing variable operating costs, short-term and low value leases which have not been included in the lease liabilities were approximately $2.1 million (2022 – $2.5 million).

At December 31, 2023, the undiscounted minimum lease payments payable by the Company under lease arrangements are as follows:

Within one year	4.6
After one year but not more than five years	14.7
More than five years	21.2
	40.5

10. Share Capital

Paramount's authorized share capital consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares, issuable in series. At December 31, 2023, 144.2 million (December 31, 2022 – 142.0 million) Common Shares were outstanding, net of 0.4 million (December 31, 2022 – 0.8 million) Common Shares held in trust under the RSU plan. No preferred shares were issued and outstanding as at December 31, 2023 or December 31, 2022.

For the year ended December 31, 2023, the Company paid total cash dividends of $2.50 per Common Share or $355.4 million (2022 – $1.13 per Common Share or $160.4 million) comprised of a special dividend of $1.00 per Common Share or $142.9 million and regular monthly dividends totaling $1.50 per Common Share or $212.5 million. Subsequent to December 31, 2023, the Company declared and paid two regular monthly cash dividends totaling $0.25 per Common Share or $36.2 million.

In July 2023, Paramount implemented a normal course issuer bid (the "2023 NCIB") under which the Company may purchase up to 7.7 million Common Shares for cancellation. The 2023 NCIB will terminate on the earlier of July 5, 2024 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2023 NCIB are purchased. Purchases of Common Shares under the 2023 NCIB will be made through the facilities of the Toronto Stock Exchange or alternative Canadian trading systems at the market price at the time of purchase. The Company has not made any purchases of Common Shares under the 2023 NCIB to date.

The Company previously implemented a normal course issuer bid in June 2022. No shares were purchased under this normal course issuer bid, which expired on June 29, 2023.

For the year ended December 31, 2023, Paramount issued 1.8 million Common Shares on the exercise of Paramount Options (see Note 12).

Net Income Per Common Share – Basic and Diluted

Year ended December 31	2023	2022
Net income – basic and diluted	**470.2**	680.6
Basic – weighted average Common Shares (millions)	**143.1**	140.8
Dilutive effect of Paramount Options (millions)	**5.2**	6.2
Diluted – weighted average Common Shares (millions)	**148.3**	147.0
Net income per Common Share – basic ($/share)	**3.29**	4.83
Net income per Common Share – diluted ($/share)	**3.17**	4.63

Paramount Options are potentially dilutive and are included in the diluted per share calculation when they are dilutive to net income per share.

For the year ended December 31, 2023, 4.4 million Paramount Options were anti-dilutive (2022 – 2.5 million).

11. Reserves

Reserves at December 31, 2023 include unrealized gains and losses on cash flow hedges, unrealized gains and losses related to changes in the market value of investments in securities and contributed surplus amounts in respect of Paramount Options, Cavalier Options and the RSU plan.

The changes in reserves are as follows:

Year ended December 31, 2023	Unrealized gains (losses) on cash flow hedges	Unrealized gains (losses) on securities	Contributed surplus	Total reserves
Balance, beginning of year	8.3	399.9	185.2	**593.4**
Other comprehensive loss, before tax	(9.8)	(17.1)	–	**(26.9)**
Deferred tax	2.3	1.6	–	**3.9**
Share-based compensation (see Note 12)	–	–	(0.2)	**(0.2)**
Paramount Options exercised	–	–	(5.4)	**(5.4)**
Balance, end of year	**0.8**	**384.4**	**179.6**	**564.8**

Year ended December 31, 2022	Unrealized gains (losses) on cash flow hedges	Unrealized gains (losses) on securities	Contributed surplus	Total reserves
Balance, beginning of year	(5.3)	204.5	170.8	**370.0**
Other comprehensive income, before tax	17.8	235.3	–	**253.1**
Deferred tax	(4.2)	(27.0)	–	**(31.2)**
Reclassification of accumulated gain on securities, (see Note 7)	–	(12.9)	–	**(12.9)**
Share-based compensation (see Note 12)	–	–	21.1	**21.1**
Paramount Options exercised	–	–	(6.7)	**(6.7)**
Balance, end of year	**8.3**	**399.9**	**185.2**	**593.4**

12. Share-Based Compensation

Paramount Options

	2023		2022	
	Paramount Options (millions)	Weighted average exercise price ($/share)	*Paramount Options (millions)*	Weighted average exercise price ($/share)
Balance, beginning of year	***11.3***	**13.55**	*11.0*	9.55
Granted	***2.6***	**27.09**	*2.5*	28.65
Exercised (1)	***(1.8)***	**9.14**	*(2.1)*	10.73
Cancelled or forfeited	***(0.3)***	**16.04**	*(0.1)*	10.90
Balance, end of year	***11.8***	**17.11**	*11.3*	13.55
Options exercisable, end of year	***4.0***	**10.72**	*3.1*	8.28

(1) For Paramount Options exercised during the year ended December 31, 2023, the weighted average market price of Common Shares on the dates exercised was $31.18 per share (2022 – $30.12 per share).

The weighted average remaining contractual life and exercise prices of Paramount Options outstanding as at December 31, 2023 are as follows:

	Paramount Options Outstanding			Paramount Options Exercisable		
Exercise Price	Number *(millions)*	Remaining contractual life (years)	Weighted average exercise price	Number *(millions)*	Remaining contractual life (years)	Weighted average exercise price
$1.64 – $6.99	2.9	2.0	4.53	1.4	2.0	4.69
$7.00 – $16.99	4.0	2.4	12.88	2.0	1.8	10.70
$17.00 – $26.99	2.4	5.3	26.82	0.1	3.6	25.48
$27.00 – $36.12	2.5	4.3	28.76	0.5	4.2	28.84
	11.8	**3.3**	**17.11**	**4.0**	2.1	**10.72**

The grant date fair value of Paramount Options and related weighted average inputs, estimated using the Black-Scholes model, are as follows:

	Options awarded in 2023	Options awarded in 2022
Weighted average exercise price ($ / share)	27.09	28.65
Volatility (%)	34	45
Expected life (years)	3.9	3.9
Pre-vest annual forfeiture rate (%)	11.4	11.5
Risk-free interest rate (%)	3.7	3.1
Dividend yield (%)	5.7	5.3
Weighted average fair value of awards ($ / option)	5.06	7.19

The expected life of Paramount Options is based on historical exercise patterns. Volatility is generally estimated based on the historical volatility in the trading price of the Common Shares over the most recent period that is commensurate with the expected life of the option and is normalized for significant transactions and other factors.

Cavalier Options

Cavalier Energy has a stock option plan that enables its Board of Directors to grant options to acquire common shares of Cavalier ("Cavalier Options") to key employees and directors. In 2017, Cavalier Energy granted 5.0 million Cavalier Options, which vested over five years and expire in September 2024. As at December 31, 2023, there were 3.5 million Cavalier Options outstanding. No Cavalier Options have been exercised since the inception of the Cavalier option plan.

Restricted Share Unit Plan – Shares Held in Trust

	2023		2022	
Year ended December 31	***Shares (millions)***		***Shares (millions)***	
Balance, beginning of year	*0.8*	16.2	*1.5*	3.5
Net change in vested and unvested shares	*(0.4)*	(12.8)	*(0.7)*	12.7
Balance, end of year	*0.4*	3.4	*0.8*	16.2

Employee Benefit Costs

Year ended December 31	**2023**	**2022**
Paramount Option plan	11.9	8.4
RSU plan	21.5	16.9
Share-based compensation expense	33.4	25.3
Salaries and benefits	61.5	55.6
	94.9	80.9

(Tabular amounts stated in $ millions, except as noted)

13. Income Tax

The following table reconciles income taxes calculated at the statutory rate to Paramount's income tax expense:

Year ended December 31	2023	2022
Income before tax	599.7	865.8
Effective statutory income tax rate	23.0%	23.0%
Expected income tax expense	137.9	199.1
Effect of:		
Change in statutory and other rates	0.2	1.0
Share-based compensation	2.7	1.9
Gain on sale of oil and gas assets	–	(6.5)
Change in unrecognized deferred income tax asset	(9.2)	(9.5)
Non-deductible items and other	(2.1)	(0.8)
Income tax expense	129.5	185.2

The following table summarizes the components of the deferred income tax asset:

As at December 31	2023	2022
Property, plant and equipment	(526.5)	(409.4)
Investments in securities	(52.8)	(52.5)
Asset retirement obligations	135.2	124.2
Non-capital losses and scientific research & experimental development	632.4	665.3
Other	15.2	1.5
Deferred income tax asset	203.5	329.1

The following table summarizes movements in the deferred income tax asset during the year:

Year ended December 31	2023	2022
Deferred income tax asset, beginning of year	329.1	545.5
Deferred income tax expense	(129.5)	(185.2)
Deferred income tax expense included in OCI	3.9	(31.2)
Deferred income tax asset, end of year	203.5	329.1

At December 31, 2023, the Company had $103.8 million (December 31, 2022 – $154.1 million) of deductible temporary differences and unused tax losses that expire between 2029 and 2031 for which no deferred income tax asset has been recognized.

14. Financial Instruments and Risk Management

Financial Instruments

Financial instruments at December 31, 2023 consist of cash and cash equivalents, accounts receivable, risk management assets and liabilities, investments in securities, accounts payable and the Paramount Facility. The carrying values of these financial instruments approximate their fair values.

Risk Management

From time to time, Paramount enters into derivative financial instruments to manage commodity price, interest rate and foreign currency exchange risks.

(Tabular amounts stated in $ millions, except as noted)

The fair values of risk management financial instruments are estimated using a market approach incorporating level two fair value hierarchy inputs, including forward market curves and price quotes for similar instruments, provided by financial institutions.

Changes in the fair value of risk management assets and liabilities for the year ended December 31, 2023 are as follows:

Year ended December 31, 2023	Financial commodity contracts	Foreign currency exchange contracts	Electricity swaps	Total
Fair value of asset (liability), December 31, 2022	11.8	(9.8)	10.8	12.8
Changes in fair value – profit or loss (1)	48.0	5.1	–	53.1
Changes in fair value – OCI	–	–	(5.4)	(5.4)
Risk management contract settlements (received) paid (2)	(59.8)	13.1	(4.4)	(51.1)
Fair value of asset (liability), December 31, 2023	–	8.4	1.0	9.4
Risk management asset – current	–	8.4	1.5	9.9
Risk management asset, December 31, 2023	–	8.4	1.5	9.9
Risk management liability – long-term	–	–	(0.5)	(0.5)
Risk management liability, December 31, 2023	–	–	(0.5)	(0.5)

(1) Changes in fair value of $53.1 million related to financial commodity and foreign currency exchange contracts are recorded as gain on risk management contracts.
(2) Net receipts on risk management contract settlements related to financial commodity and foreign currency exchange contracts totaled $46.7 million. Risk management contract settlements relating to electricity swap contracts are recorded in operating expense.

Changes in the fair value of risk management assets and liabilities for the year ended December 31, 2022 are as follows:

Year ended December 31, 2022	Financial commodity contracts	Foreign currency exchange contracts	Interest rate swaps	Electricity swaps	Total
Fair value of asset (liability), December 31, 2021	5.4	0.4	(9.6)	0.7	(3.1)
Changes in fair value – profit or loss (1)	(160.1)	(22.7)	5.0	–	(177.8)
Changes in fair value – OCI	–	–	12.9	10.1	23.0
Risk management contract settlements paid (received) (2)	166.5	12.5	(8.3)	–	170.7
Fair value of asset (liability), December 31, 2022	11.8	(9.8)	–	10.8	12.8
Risk management asset – current	11.8	–	–	7.9	19.7
Risk management asset – long-term	–	–	–	2.9	2.9
Risk management asset, December 31, 2022	11.8	–	–	10.8	22.6
Risk management liability – current	–	(9.8)	–	–	(9.8)
Risk management liability, December 31, 2022	–	(9.8)	–	–	(9.8)

(1) Changes in fair value of ($182.8) million related to financial commodity and foreign currency exchange contracts are recorded as loss on risk management contracts. Changes in fair value of $5.0 million related to interest rate swaps not accounted for as cash flow hedges are recorded in interest and financing expense.
(2) Payments on risk management contract settlements related to financial commodity and foreign currency exchange contracts totaled $179.0 million. Risk management contract settlements relating to interest rate swap and electricity swap contracts, where hedge accounting is applied, are recorded in interest and financing and operating expense, respectively.

(Tabular amounts stated in $ millions, except as noted)

The Company had the following risk management contracts as at December 31, 2023:

Instruments	Aggregate amount / notional	Average price or rate	Remaining term
Foreign Currency Exchange Contracts			
Swaps (Sale)	US$30 million / month	1.3433 CAD$/US$1.00	January 2024 – June 2024
Swaps (Sale)	US$30 million / month	1.3462 CAD$/US$1.00	July 2024 – December 2024
Electricity Contracts (1)			
Swaps (Buy)	240 MWh/d	$66.13/MWh	January 2024 – December 2024
Swaps (Buy)	240 MWh/d	$71.13/MWh	January 2025 – December 2025

(1) Reference electricity rate: Floating hourly rate established by the Alberta Electric System Operator. "MWh" means megawatt-hour.

Subsequent to December 31, 2023, the Company entered into the following financial commodity contract:

Instruments	Aggregate amount / notional	Average price or rate	Remaining term
Oil			
MSW WTI Differential Swap (Sale) (1)	1,000 Bbl/d	WTI – US$2.40/Bbl	May 2024 – December 2024

(1) "MSW" refers to Mix Sweet Blend crude oil at Edmonton and "WTI" means West Texas Intermediate.

In the fourth quarter of 2023, Paramount terminated and closed out all 15,000 Bbl/d of its NYMEX WTI swaps (CAD $109.68/Bbl, January 2024 to December 2024) for aggregate cash proceeds of $45.4 million.

Paramount entered into electricity swaps to manage exposure to the variable market price of electricity by fixing the underlying AESO Pool Price on a portion of the Company's power. A hedge ratio of 1 to 1 was established as the underlying risk of the electricity swaps were identical to the hedged risk components (electricity costs paid on the AESO Pool Price). The Company has classified its electricity swaps as cash flow hedges. There were no changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified at December 31, 2023.

In December 2022, Paramount terminated all $500 million notional amount of its floating-to-fixed interest rate swaps for aggregate cash proceeds to the Company of $10.3 million. For the year ended December 31, 2022, interest and financing expense was reduced by $10.2 million relating to the impact of floating-to-fixed interest rate swaps.

Commodity Price Risk

Paramount uses financial commodity contracts from time to time to manage exposure to commodity price volatility. The Company is exposed to commodity price risk on these instruments, as changes in underlying commodity prices impact the market values of the contracts and ultimately the amounts received or paid upon settlement. The Company did not have any open financial commodity contracts as at December 31, 2023.

Foreign Currency Exchange Risk

Paramount uses foreign currency exchange contracts from time to time to manage risks of volatility in foreign currency exchange rates related to its U.S. dollar denominated petroleum and natural gas sales revenue.

(Tabular amounts stated in $ millions, except as noted)

The following table summarizes the sensitivity of the fair value of Paramount's foreign currency exchange contracts and other U.S. dollar denominated financial instruments outstanding at December 31, 2023 to independent fluctuations in foreign currency exchange rates, with all other variables held constant. The impact of fluctuating foreign currency exchange rates on the Company's December 31, 2023 open foreign currency exchange contracts and other U.S. dollar denominated financial instruments would have resulted in an unrealized gain (loss) impacting income before income tax as follows: (1)

	Increase in C$/US$ Foreign Currency Exchange Rate	Decrease in C$/US$ Foreign Currency Exchange Rate
Income before income tax	(18.8)	18.8

(1) Sensitivities are based on a C$0.05 increase or decrease in C$/US$ foreign currency exchange rates at December 31, 2023, assuming all other variables are constant.

Credit Risk

Paramount is exposed to credit risk on its financial instruments where a loss would be experienced if a counterparty to a financial asset failed to meet its obligations. The maximum credit risk exposure at December 31, 2023 is limited to the carrying value of accounts receivable and risk management assets.

Paramount's primary objectives with respect to financial assets are to minimize credit and other financial risks and to maintain adequate levels of liquidity. The Company's risk management contracts are held with financial institutions with investment grade credit ratings. Accounts receivable include balances due from customers and partners in the oil and gas industry and are subject to normal industry credit risk. The Company manages credit risk by endeavoring to sell its production to and enter into risk management contracts with counterparties that possess high credit ratings, employing net settlement agreements, obtaining letters of credit and limiting available credit when necessary. The change in the fair value of risk management contracts attributable to changes in counterparty credit risk is immaterial, as the counterparties to such contracts have investment grade credit ratings.

Interest Rate Risk

Paramount is exposed to interest rate risk on outstanding balances on the Paramount Facility and on interest bearing cash and cash equivalents. From time to time, the Company may enter into interest rate swaps to manage exposure to changes in interest rates on long-term debt.

Liquidity Risk

Liquidity risk is the risk that Paramount will be unable to meet its financial obligations as they become due. The Company manages liquidity risk by ensuring that it has sufficient cash and cash equivalents, credit facilities and other financial resources available to meet its obligations.

The Company regularly updates its forecasts of short-term and longer-term cash flows to identify financial requirements. These requirements are met through a combination of cash flows from operating activities, cash and cash equivalents, and if required, credit facilities, the sale of assets and capital market transactions.

(Tabular amounts stated in $ millions, except as noted)

The Company's contractual obligations related to financial liabilities are as follows: [1]

	2024	Total
Accounts payable & accrued liabilities	272.5	272.5
	272.5	**272.5**

(1) Excludes lease liabilities (see Note 9) and risk management liabilities.

Accounts Payable and Accrued Liabilities

As at December 31	2023	2022
Trade and accrued payables	**271.5**	222.8
Joint operation and other payables	**1.0**	7.1
	272.5	229.9

Trade and accrued payables and joint operation and other payables are non-interest bearing and are normally settled within 30 to 60 days.

Accounts Receivable

As at December 31	2023	2022
Revenue receivable	**133.2**	202.2
Joint operation and other receivables	**22.6**	21.0
	155.8	223.2

Revenue, joint operation and other receivables are non-interest bearing and are generally settled within 30 days. Accounts receivable that share similar credit risk characteristics are assessed for expected credit losses at each reporting date, including for changes in historical default rates, ages of balances outstanding and counterparty credit metrics. The total expected credit loss on the Company's accounts receivable was approximately 2 percent as at December 31, 2023 (December 31, 2022 – 1 percent).

For the year ended December 31, 2023, the Company had sales to one customer totaling $444.4 million (2022 – $487.7 million), which exceeded ten percent of total sales. The customer has an investment grade credit rating.

15. Revenue By Product

Year ended December 31	2023	2022
Natural gas	**349.1**	671.1
Condensate and oil	**1,364.2**	1,448.9
Other natural gas liquids	**81.9**	114.2
Royalty income and other revenue	**3.3**	18.2
Royalties	**(254.3)**	(335.3)
Sales of commodities purchased	**255.1**	272.0
	1,799.3	2,189.1

Royalty income and other revenue for the year ended December 31, 2022 includes $11.9 million in business interruption insurance proceeds related to losses in prior years.

(Tabular amounts stated in $ millions, except as noted)

16. Other

Year ended December 31	2023	2022
Provisions	2.5	(21.9)
Dividend income	(8.4)	(0.8)
Interest income	(3.3)	(0.4)
Other	1.9	(4.4)
	(7.3)	(27.5)

Provisions

In 2022, the Company reached an agreement to settle certain claims involving a service provider. This resulted in a recovery of $24.0 million previously recognized as a provision.

Dividend Income

Paramount received total cash dividends of $8.4 million in 2023 (2022 – $0.8 million) on its investment in securities, including $7.8 million from Sultran Ltd.

17. Consolidated Statement of Cash Flows – Selected Information

Items Not Involving Cash

Year ended December 31	2023	2022
Risk management contracts	(6.4)	3.7
Share-based compensation	33.4	25.3
Depletion and depreciation	401.9	286.0
Exploration and evaluation	3.3	21.8
Gain on sale of oil and gas assets	(126.3)	(65.6)
Accretion of asset retirement obligations	43.2	44.9
Deferred income tax	129.5	185.2
Other	3.8	2.2
	482.4	503.5

Supplemental Cash Flow Information

Year ended December 31	2023	2022
Interest paid (1)	0.9	2.1
Interest received	3.3	0.4

(1) Interest paid in 2022 is net of $7.8 million received on settlement of interest rate swaps.

Components of Cash and Cash Equivalents

As at December 31	2023	2022
Cash	48.9	2.5
Cash equivalents	–	–
	48.9	2.5

(Tabular amounts stated in $ millions, except as noted)

18. Capital Structure

Paramount's capital structure consists of shareholders' equity and net (cash) debt.

The Company's primary objectives in managing its capital structure are to:

i. ensure liquidity to fund ongoing operations and capital programs, the settlement of obligations when due and the payment of regular monthly dividends;
ii. preserve financial flexibility and access to capital markets, including for the pursuit of strategic initiatives; and
iii. maximize shareholder returns considering the risk environment.

Paramount monitors and assesses its capital structure for alignment with its current and long-term business plans and will, guided by its primary capital management objectives, seek to adjust the structure as necessary in response to changes in its business plans, plans for shareholder returns, economic and operating conditions, financial and operating results, strategic initiatives and the Company's assessment of the risk environment. Paramount may adjust its capital structure through a number of means, including by modifying capital spending programs, seeking to issue or repurchase shares, altering debt levels, modifying dividend levels or acquiring or disposing of assets.

The key capital management measures used by the Company in monitoring and assessing its capital structure are net (cash) debt, adjusted funds flow, the ratio of net debt to adjusted funds flow and free cash flow. The use and composition of each of these measures is described below. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities.

Net (Cash) Debt

Net (cash) debt, in conjunction with capacity under existing credit facilities, is used to monitor and assess liquidity by providing Management and investors with a measure of the Company's overall leverage position. The label of this capital management measure has been revised from the previous label of net debt to allow for the description of negative amounts as net (cash).

The calculation of net (cash) debt is as follows:

As at December 31	2023	2022
Cash and cash equivalents	**(48.9)**	(2.5)
Accounts receivable [(1)]	**(155.0)**	(216.5)
Prepaid expenses and other	**(9.0)**	(9.1)
Accounts payable and accrued liabilities	**272.5**	229.9
Long-term debt	**–**	159.4
Net (cash) debt	**59.6**	161.2

(1) Excludes accounts receivable relating to lease incentives and subleases (December 31, 2023 – $0.8 million, December 31, 2022 – $6.7 million).

Adjusted Funds Flow

Adjusted funds flow is used to monitor and assess liquidity and the flexibility of the Company's capital structure by providing Management and investors with a measure of the cash flows generated by the Company's assets available to fund capital programs and meet financial obligations, including the settlement of asset retirement obligations.

(Tabular amounts stated in $ millions, except as noted)

The calculation of adjusted funds flow is as follows:

Year ended December 31	2023	2022
Cash from operating activities	**938.2**	1,049.6
Change in non-cash working capital	**(40.2)**	98.4
Geological and geophysical expense	**10.2**	8.8
Asset retirement obligations settled	**54.6**	36.1
Closure costs	**–**	–
Provisions	**2.5**	(21.9)
Settlements	**–**	–
Transaction and reorganization costs	**–**	–
Adjusted funds flow	**965.3**	1,171.0

Net Debt to Adjusted Funds Flow Ratio

The ratio of net debt to adjusted funds flow is used to monitor and assess liquidity and the flexibility of the Company's capital structure by showing the relation of the cash flows generated by the Company's assets to its overall leverage position.

The net debt to adjusted funds flow ratio is calculated as the period end net debt divided by adjusted funds flow for the trailing four quarters.

	2023	2022
Net (cash) debt, as at December 31	**59.6**	161.2
Adjusted funds flow, trailing four quarters ended December 31	**965.3**	1,171.0
Net debt to adjusted funds flow ratio, December 31	**0.1x**	0.1x

Free Cash Flow

Free cash flow is used to monitor and assess liquidity, the flexibility of the Company's capital structure and the financial capacity to maximize shareholder returns by providing Management and investors with a measure of the internally generated cash available, after funding capital programs and asset retirement obligation settlements, to service the Company's financial obligations, pay dividends, repurchase Common Shares and fund additional growth opportunities.

The calculation of free cash flow is as follows:

Year ended December 31	2023	2022
Cash from operating activities	**938.2**	1,049.6
Change in non-cash working capital	**(40.2)**	98.4
Geological and geophysical expense	**10.2**	8.8
Asset retirement obligations settled	**54.6**	36.1
Closure costs	**–**	–
Provisions	**2.5**	(21.9)
Settlements	**–**	–
Transaction and reorganization costs	**–**	–
Adjusted funds flow	**965.3**	1,171.0
Capital expenditures	**(732.1)**	(655.0)
Geological and geophysical expense	**(10.2)**	(8.8)
Asset retirement obligations settled	**(54.6)**	(36.1)
Free cash flow	**168.4**	471.1

(Tabular amounts stated in $ millions, except as noted)

19. Compensation of Key Management Personnel

Year ended December 31	2023	2022
Salaries and benefits	3.0	2.9
Share-based compensation	7.9	7.6
	10.9	10.5

20. Commitments and Contingencies

Paramount had the following commitments as at December 31, 2023:

	Within one year	After one year but not more than five years	More than five years
Petroleum and natural gas transportation and processing commitments	246.3	946.5	1,335.1
Other commitments	10.2	7.9	–
	256.5	954.4	1,335.1

Commitments – Physical Sales Contracts

Subsequent to December 31, 2023, the Company entered into the following basis differential physical sales contracts:

	Volume	Location	Average price	Remaining term
Natural Gas	37,500 MMBtu/d	AECO	NYMEX – US$0.93/MMBtu (1)	April 2024 – October 2024

(1) "NYMEX" refers to NYMEX pricing at Henry Hub.

Contingencies

In the normal course of Paramount's operations, the Company may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty. Paramount does not anticipate that these claims will have a material impact on its financial position.

Tax and royalty legislation and regulations, and government interpretation and administration thereof, continually change. As a result, there are often tax and royalty matters under review by government authorities. All tax and royalty filings are subject to subsequent government audit and potential reassessments. Accordingly, the final amounts may differ materially from amounts estimated and recorded.

21. Subsequent Event

In February 2024, Paramount sold certain non-core assets in the Kaybob Region for cash proceeds of approximately $47 million and has retained a 2% no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets.

CORPORATE INFORMATION

EXECUTIVE OFFICERS

J. H. T. Riddell
President and Chief Executive Officer and Chairman

P. R. Kinvig
Chief Financial Officer

B. K. Lee
Executive Vice President, Finance

D. B. Reid
Executive Vice President, Operations

R. R. Sousa
Executive Vice President, Corporate Development and Planning

J. B. Williams
Executive Vice President, Kaybob Region

G. W. J. Stotts
Executive Vice President, Development and Reserves

DIRECTORS

J. H. T. Riddell
President and Chief Executive Officer and Chairman
Paramount Resources Ltd.
Calgary, Alberta

J. G. M. Bell (1) (3) (4)
Executive Vice President, Corporate and Chief Legal Officer
Dominion Lending Centres Inc.
Calgary, Alberta

W. A. Gobert (1) (3) (4)
Independent Businessman
Calgary, Alberta

D. Jungé C.F.A. (2) (4)
Independent Businessman
Bryn Athyn, Pennsylvania

K. Lynch Proctor (1) (4) (5)
Independent Businesswoman
Calgary, Alberta

R. K. MacLeod (2) (3) (4) (5)
Independent Businessman
Calgary, Alberta

J. K. McAuley (2) (4) (5)
Independent Businesswoman
Calgary, Alberta

S. L. Riddell Rose
President and Chief Executive Officer
Perpetual Energy Inc.
Rubellite Energy Inc.
Calgary, Alberta

(1) Member of Audit Committee
(2) Member of Environmental, Health and Safety Committee
(3) Member of Compensation Committee
(4) Member of Corporate Governance Committee
(5) Member of Reserves Committee

CORPORATE OFFICE

4700 Bankers Hall West
888 Third Street S.W.
Calgary, Alberta
Canada T2P 5C5
Telephone: (403) 290-3600
Facsimile: (403) 262-7994
www.paramountres.com

REGISTRAR AND TRANSFER AGENT

Odyssey Trust Company
Calgary, Alberta
Toronto, Ontario

RESERVES EVALUATORS

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

AUDITORS

Ernst & Young LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange ("POU")