



First Quarter 2024 Results

Paramount Resources Ltd. Announces First Quarter 2024 Results and 20% Dividend Increase

Calgary, Alberta – May 2, 2024

Paramount Resources Ltd. ("Paramount" or the "Company") (TSX:POU) is pleased to announce its first quarter 2024 financial and operating results, highlighted by strong contributions from its Duvernay developments at Kaybob North and Willesden Green. The Company is also pleased to announce that it is increasing its regular monthly dividend by 20% from \$0.125 per class A common share ("Common Share") to \$0.15 per Common Share beginning May 2024.

HIGHLIGHTS

- First quarter sales volumes averaged 100,977 Boe/d (47% liquids). ⁽¹⁾
 - Grande Prairie Region sales volumes averaged 67,163 Boe/d (50% liquids). As previously disclosed, first quarter production was impacted by cold weather, intermittent run time at key facilities and other operational challenges. Production has since been largely restored and the Company has begun to realize benefits from the aggressive well optimization program it initiated in March 2024.
 - Kaybob Region sales volumes increased to 22,353 Boe/d (42% liquids), driven by a new six well Duvernay pad brought onstream at Kaybob North in the first quarter that more than offset the impact of the previously disclosed non-core asset disposition (the "2024 Kaybob Disposition").
 - Central Alberta and Other Region sales volumes increased to 11,461 Boe/d (44% liquids) as a result of production from four Duvernay wells brought onstream in late-2023 and January 2024.
 - Combined, the Company's Duvernay sales volumes in the Kaybob Region and at Willesden Green increased to over 12,000 Boe/d in the first quarter, more than double fourth quarter 2023 Duvernay sales volumes. This production is approximately 70% liquids and is processed through Company owned facilities, resulting in the highest per Boe netback corporately.
- Cash from operating activities was \$201 million (\$1.39 per basic share) in the first quarter. Adjusted funds flow was \$226 million (\$1.56 per basic share). Free cash flow was (\$10) million ((\$0.07) per basic share). ⁽²⁾

(1) In this press release, "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, "Other NGLs" refers to ethane, propane and butane and "liquids" refers to condensate and oil and Other NGLs combined. 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.

- First quarter capital expenditures totaled \$214 million. Significant activities included:
 - Grande Prairie Region (Montney) – nine (9.0 net) wells drilled, four (4.0 net) wells brought on production and ongoing construction of a new compressor node;
 - Kaybob Region (Duvernay) – four (4.0 net) wells drilled and six (6.0 net) wells brought on production; and
 - Central Alberta and Other Region (Duvernay) – two (2.0 net) wells drilled, two (2.0 net) wells brought on production and commenced construction of the Company's second natural gas processing plant at Willesden Green.
- Asset retirement obligations settled in the first quarter totaled \$17 million, on track with budget. Activities in the quarter included the abandonment of 26 wells and the reclamation of 17 sites.
- Paramount closed the 2024 Kaybob Disposition in February 2024 for cash proceeds of \$46 million while retaining a 2% no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets.
- At March 31, 2024, net debt was \$68 million and Paramount's \$1.0 billion revolving credit facility was undrawn. ⁽¹⁾
- The carrying value of the Company's investments in securities at March 31, 2024 was \$569 million. In April 2024, Paramount sold 6 million common shares of NuVista Energy Ltd. for cash proceeds of \$75 million.
- In April 2024, Paramount hedged 14,250 Bbl/d of liquids sales volumes for the remainder of 2024 at an average WTI price of CAD\$111.67/Bbl, re-establishing a hedging position similar to that monetized for approximately \$45 million in the fourth quarter of 2023.

INCREASED DIVIDEND

Paramount's Board of Directors has approved a 20% increase in the regular monthly dividend from \$0.125 to \$0.15 per Common Share. The Company continues to prioritize the delivery of shareholder returns through a combination of dividends and organic growth while maintaining a strong balance sheet. This is the fifth increase in the regular monthly dividend since it was implemented in July 2021.

The first increased dividend of \$0.15 per Common Share will be payable on May 31, 2024 to shareholders of record on May 15, 2024. The dividend will be designated as an "eligible dividend" for Canadian income tax purposes.

(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.

GUIDANCE

Paramount is reaffirming its 2024 sales volumes, capital expenditure and abandonment and reclamation expenditure guidance. The Company is updating its forecast of 2024 free cash flow from \$235 million to \$205 million to reflect first quarter results. Pricing assumptions for the final three quarters of 2024 remain unchanged at US\$80.00/Bbl WTI, US\$3.50/MMBtu NYMEX and \$2.84/GJ AECO.

| | 2024 Guidance |
|--|----------------------------------|
| Annual average sales volumes (Boe/d) | 100,000 to 106,000 (47% liquids) |
| First half 2024 (Boe/d) | 96,000 to 100,000 (47% liquids) |
| Second half 2024 (Boe/d) | 104,000 to 112,000 (47% liquids) |
| Capital expenditures | \$830 to \$890 million |
| Sustaining and Maintenance | \$415 to \$445 million |
| Growth | \$415 to \$445 million |
| Abandonment and reclamation expenditures | \$40 million |
| Free cash flow ⁽¹⁾ | \$205 million |

The Company's midpoint 2024 capital program, abandonment and reclamation expenditures and increased regular monthly dividend is more than fully funded under the above forecast, when combined with cash proceeds from dispositions realized year-to-date. The Company's midpoint 2024 sustaining and maintenance capital program, abandonment and reclamation expenditures and increased regular monthly dividend would remain fully funded down to an average WTI price for the remaining three quarters of 2024 of about US\$45/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 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 \$55.85/Boe; (v) a \$US/\$CAD exchange rate of \$0.737, (vi) royalties of \$8.10/Boe, (vii) operating costs of \$13.30/Boe and (viii) transportation and NGLs processing costs of \$3.65/Boe. Assumed pricing of US\$80.00/Bbl WTI, US\$3.50/MMBtu NYMEX and \$2.84/GJ AECO and an assumed \$US/\$CAD exchange rate of \$0.735 for the remaining three quarters of 2024 is unchanged from previous guidance, but the stated amounts have been adjusted to incorporate actual results for the first quarter of 2024.

REVIEW OF OPERATIONS

GRANDE PRAIRIE REGION

Sales volumes and netbacks in the Grande Prairie Region are summarized below:

| | Q1 2024 | | Q4 2023 | | % Change |
|------------------------------------|---------------|----------|---------------|----------|---------------------------|
| Sales Volumes | | | | | |
| Natural gas (MMcf/d) | 201.8 | | 214.4 | | (6) |
| Condensate and oil (Bbl/d) | 29,202 | | 32,382 | | (10) |
| Other NGLs (Bbl/d) | 4,334 | | 4,742 | | (9) |
| Total (Boe/d) | 67,163 | | 72,860 | | (8) |
| % liquids | 50% | | 51% | | |
| Netback ⁽¹⁾ | | | | | |
| | (\$ millions) | (\$/Boe) | (\$ millions) | (\$/Boe) | Change in \$ millions (%) |
| Natural gas revenue ⁽²⁾ | 53.0 | 2.89 | 56.2 | 2.85 | (6) |
| Condensate and oil revenue | 248.0 | 93.32 | 295.0 | 99.00 | (16) |
| Other NGLs revenue | 15.7 | 39.70 | 16.1 | 36.95 | (2) |
| Royalty income and other revenue | – | – | 0.1 | – | NM |
| Petroleum and natural gas sales | 316.7 | 51.81 | 367.4 | 54.81 | (14) |
| Royalties | (50.8) | (8.32) | (56.8) | (8.47) | (11) |
| Operating expense | (80.1) | (13.11) | (84.1) | (12.54) | (5) |
| Transportation and NGLs processing | (22.6) | (3.69) | (26.0) | (3.88) | (13) |
| | 163.2 | 26.69 | 200.5 | 29.92 | (19) |

(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.

NM means not meaningful

Sales volumes in the Grande Prairie Region averaged 67,163 Boe/d (50% liquids) in the first quarter of 2024 compared to 72,860 Boe/d (51% liquids) in the fourth quarter of 2023. As previously disclosed, first quarter production was impacted by cold weather, intermittent run time at key facilities and other operational challenges that significantly affected production from a number of wells, including the five well Karr 07-33S pad. New well production that came onstream in early March partly offset these impacts.

Paramount commenced an aggressive well optimization program in the Grande Prairie Region in March 2024 to increase production from shut-in wells and wells that would benefit from intervention. This has included, among other well interventions, workover operations on the Karr 07-33S pad that have yielded positive initial results.

Average gross 30-day peak production per well from the eight (8.0 net) well Montney pad at Wapiti that came onstream in November 2023 was 1,164 Boe/d (2.7 MMcf/d of shale gas and 708 Bbl/d of NGLs) with an average CGR of 259 Bbl/MMcf. ⁽¹⁾ These results are lower than expected primarily due to challenging operating circumstances, including downhole equipment failures and high gathering system pressures, that the Company is addressing.

(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. 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. Natural gas sales volumes were lower by approximately 9% and liquids sales volumes were lower by approximately 2% due to shrinkage.

First quarter development activities in the Grande Prairie Region included the drilling of nine (9.0 net) Montney wells, the completion of four (4.0 net) Montney wells and the bringing onstream of four (4.0 net) Montney wells at Karr. In addition, construction of a new compressor node in the western portion of Wapiti continues, with commissioning anticipated in the third quarter of 2024.

Initial production from the four (4.0 net) Montney wells at Karr brought on production in early March has been encouraging, with the wells averaging gross 30-day peak production per well of 1,695 Boe/d (4.8 MMcf/d of shale gas and 896 Bbl/d of NGLs) with an average CGR of 187 Bbl/MMcf. ⁽¹⁾⁽²⁾

The Company continues to expect that its second quarter 2024 sales volumes will be impacted by a 9-day 50% curtailment at the third-party Wapiti natural gas processing plant and its third quarter 2024 sales volumes will be impacted by a 21-day full outage at that plant.

Over the remaining three quarters of 2024, Paramount plans to drill a total of 27 (27.0 net) Montney wells and bring on production a total of 32 (32.0 net) Montney wells in the Grande Prairie Region.

KAYBOB REGION

Kaybob Region sales volumes averaged 22,353 Boe/d (42% liquids) in the first quarter of 2024 compared to 20,324 Boe/d (35% liquids) in the fourth quarter of 2023. Sales volumes and liquids contributions were higher primarily as a result of new Duvernay well production brought onstream in the first quarter at Kaybob North that more than offset the impact of the 2024 Kaybob Disposition.

In the first quarter, Paramount completed and brought onstream a six (6.0 net) Duvernay well pad and finished drilling a five (5.0 net) Duvernay well pad at Kaybob North that it had begun drilling in the fourth quarter. The Company anticipates completing and bringing onstream all five of these wells in the second quarter.

Initial production from the six (6.0 net) well pad brought on in the first quarter has exceeded expectations, averaging gross 30-day peak production per well of 1,271 Boe/d (1.8 MMcf/d of shale gas and 980 Bbl/d of NGLs) with an average CGR of 563 Bbl/MMcf. ⁽¹⁾⁽³⁾

Over the remaining three quarters of 2024, Paramount plans to drill ten (10.0 net) Duvernay wells and bring on production eleven (11.0 net) Duvernay wells at Kaybob North.

CENTRAL ALBERTA AND OTHER REGION

Central Alberta and Other Region sales volumes averaged 11,461 Boe/d (44% liquids) in the first quarter of 2024 compared to 8,164 Boe/d (35% liquids) in the fourth quarter 2023. New well production from four (4.0 net) Duvernay wells at Willesden Green that came onstream between December 2023 and January 2024 resulted in higher sales volumes and a higher liquids contribution compared to the fourth quarter of 2023.

(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. 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.

(2) Natural gas sales volumes were lower by approximately 10% and liquids sales volumes were lower by approximately 8% due to shrinkage.

(3) Natural gas sales volumes were lower by approximately 16% and liquids sales volumes were lower by approximately 14% due to shrinkage.

Development activities in the first quarter included the drilling of two (2.0 net) Duvernay wells at a six (6.0 net) well pad at Willesden Green. Drilling operations on the remaining wells are anticipated to be concluded in the second quarter. First production from three of the wells on this pad is expected in the third quarter.

Construction of the Company's second natural gas processing plant at Willesden Green commenced in the first quarter with earthworks, the ordering of equipment and offsite construction of equipment modules underway. The project is progressing as planned and Paramount continues to anticipate start-up of the plant in the fourth quarter of 2025.

Over the remaining three quarters of 2024, the Company plans to drill eight (8.0 net) Duvernay wells and bring on production three (3.0 net) Duvernay wells at Willesden Green.

HEDGING

The Company's current commodity and foreign exchange contracts are summarized below:

| | Q2 2024 | Q3 2024 | Q4 2024 | Average Price ⁽¹⁾ |
|---|---------|---------|---------|--|
| Oil | | | | |
| NYMEX WTI Swaps (Sale) (Bbl/d) ⁽²⁾ | 14,250 | 14,250 | 14,250 | CAD\$111.67/Bbl |
| MSW WTI Differential Swap (Sale) (Bbl/d) ⁽³⁾ | 3,352 | 5,000 | 5,000 | WTI less US\$2.56/Bbl |
| Natural gas | | | | |
| AECO – Basis (Physical Sale) (MMBtu/d) | 40,000 | 40,000 | 13,478 | NYMEX less US\$0.93/MMBtu ⁽⁴⁾ |
| Foreign Currency Exchange | | | | |
| Swaps (Sale) (US\$MM/Month) | \$30 | – | – | 1.3433 CAD\$ / US\$ |
| Swaps (Sale) (US\$MM/Month) | – | \$30 | \$30 | 1.3462 CAD\$ / US\$ |

(1) Average price is calculated using a weighted average of notional volumes and prices.

(2) "NYMEX" means New York Mercantile Exchange and "WTI" means West Texas Intermediate.

(3) "MSW" means Mix Sweet Blend crude oil at Edmonton.

(4) "NYMEX" means NYMEX pricing at Henry Hub.

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 Level P3, 315 – 8th Avenue S.W., Calgary, Alberta. A webcast of the meeting will be available at www.paramountres.com/investors/presentations.

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, including longer-term strategic exploration and pre-development plays, and holds a portfolio of investments in other entities. The Company's principal properties are located in Alberta and British Columbia. Paramount's Common Shares are listed on the Toronto Stock Exchange under the symbol "POU".

Paramount's first quarter 2024 results, including Management's Discussion and Analysis and the Company's Interim Consolidated Financial Statements, 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.

For further information, please contact:

Paramount Resources Ltd.

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FINANCIAL AND OPERATING RESULTS ⁽¹⁾

| (\$ millions, except as noted) | Q1 2024 | | Q4 2023 | | Q1 2023 | |
|---|-------------------------|---------|-------------------------|---------|-------------------------|---------|
| Net income | 68.1 | | 111.9 | | 197.0 | |
| per share – basic (\$/share) | 0.47 | | 0.78 | | 1.39 | |
| per share – diluted (\$/share) | 0.46 | | 0.75 | | 1.33 | |
| Cash from operating activities | 201.3 | | 287.0 | | 271.4 | |
| per share – basic (\$/share) | 1.39 | | 1.99 | | 1.91 | |
| per share – diluted (\$/share) | 1.35 | | 1.93 | | 1.84 | |
| Adjusted funds flow | 225.6 | | 284.1 | | 268.2 | |
| per share – basic (\$/share) | 1.56 | | 1.97 | | 1.89 | |
| per share – diluted (\$/share) | 1.52 | | 1.91 | | 1.81 | |
| Free cash flow | (9.5) | | 59.7 | | 59.8 | |
| per share – basic (\$/share) | (0.07) | | 0.41 | | 0.42 | |
| per share – diluted (\$/share) | (0.07) | | 0.40 | | 0.40 | |
| Total assets | 4,458.9 | | 4,388.7 | | 4,114.6 | |
| Investments in securities | 568.6 | | 540.9 | | 498.3 | |
| Long-term debt | – | | – | | – | |
| Net (cash) debt | 68.4 | | 59.6 | | (43.6) | |
| Common shares outstanding (millions) ⁽²⁾ | 145.2 | | 144.2 | | 142.4 | |
| Sales volumes ⁽³⁾ | | | | | | |
| Natural gas (MMcf/d) | 318.7 | | 326.2 | | 320.6 | |
| Condensate and oil (Bbl/d) | 40,908 | | 40,290 | | 37,916 | |
| Other NGLs (Bbl/d) | 6,954 | | 6,698 | | 5,916 | |
| Total (Boe/d) | 100,977 | | 101,348 | | 97,269 | |
| % liquids | 47% | | 46% | | 45% | |
| Grande Prairie Region (Boe/d) | 67,163 | | 72,860 | | 69,507 | |
| Kaybob Region (Boe/d) | 22,353 | | 20,324 | | 19,201 | |
| Central Alberta & Other Region (Boe/d) | 11,461 | | 8,164 | | 8,561 | |
| Total (Boe/d) | 100,977 | | 101,348 | | 97,269 | |
| Netback | (\$/Boe) ⁽⁴⁾ | | (\$/Boe) ⁽⁴⁾ | | (\$/Boe) ⁽⁴⁾ | |
| Natural gas revenue | 82.4 | 2.84 | 83.7 | 2.79 | 122.0 | 4.23 |
| Condensate and oil revenue | 344.8 | 92.64 | 363.7 | 98.12 | 343.5 | 100.66 |
| Other NGLs revenue | 23.9 | 37.81 | 22.2 | 36.00 | 23.4 | 43.93 |
| Royalty income and other revenue | 1.2 | – | 0.9 | – | 0.8 | – |
| Petroleum and natural gas sales | 452.3 | 49.24 | 470.5 | 50.46 | 489.7 | 55.94 |
| Royalties | (61.8) | (6.73) | (68.9) | (7.39) | (69.1) | (7.90) |
| Operating expense | (118.9) | (12.94) | (126.4) | (13.56) | (108.8) | (12.43) |
| Transportation and NGLs processing | (31.9) | (3.47) | (33.2) | (3.56) | (36.3) | (4.15) |
| Sales of commodities purchased ⁽⁵⁾ | 54.7 | 5.95 | 50.2 | 5.38 | 115.1 | 13.15 |
| Commodities purchased ⁽⁵⁾ | (53.4) | (5.81) | (47.4) | (5.08) | (114.3) | (13.05) |
| Netback | 241.0 | 26.24 | 244.8 | 26.25 | 276.3 | 31.56 |
| Risk management contract settlements | (0.5) | (0.05) | 43.0 | 4.61 | 6.1 | 0.70 |
| Netback including risk management contract settlements | 240.5 | 26.19 | 287.8 | 30.86 | 282.4 | 32.26 |
| Capital expenditures | | | | | | |
| Grande Prairie Region | 120.2 | | 75.8 | | 121.1 | |
| Kaybob Region | 56.3 | | 64.5 | | 39.0 | |
| Central Alberta & Other Region | 39.8 | | 61.7 | | 5.6 | |
| Fox Drilling and Cavalier Energy | 4.1 | | 3.9 | | 12.7 | |
| Corporate ⁽⁶⁾ | (6.5) | | 3.0 | | 5.7 | |
| Total | 213.9 | | 208.9 | | 184.1 | |
| Asset retirement obligations settled | 16.5 | | 12.8 | | 21.8 | |

(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: Q1 2024: 0.4 million, Q4 2023: 0.4 million, Q1 2023: 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.

(6) Includes transfers between regions.

PRODUCT TYPE INFORMATION

This press release 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.

| | Total Company by Product Type | | |
|------------------------------------|-------------------------------|---------|---------------|
| | Q1 2024 | Q4 2023 | Q1 2023 |
| Shale gas (MMcf/d) | 268.5 | 271.8 | 265.2 |
| Conventional natural gas (MMcf/d) | 50.2 | 54.4 | 55.4 |
| Natural gas (MMcf/d) | 318.7 | 326.2 | 320.6 |
| Condensate (Bbl/d) | 38,332 | 37,522 | 34,706 |
| Other NGLs (Bbl/d) | 6,954 | 6,698 | 5,916 |
| NGLs (Bbl/d) | 45,286 | 44,220 | 40,622 |
| Light and medium crude oil (Bbl/d) | 1,595 | 1,636 | 2,151 |
| Tight oil (Bbl/d) | 592 | 699 | 599 |
| Heavy crude oil (Bbl/d) | 389 | 433 | 460 |
| Crude oil (Bbl/d) | 2,576 | 2,768 | 3,210 |
| Total (Boe/d) | 100,977 | 101,348 | 97,269 |

| | Grande Prairie Region | | | Kaybob Region | | | Central Alberta and Other Region | | |
|------------------------------------|-----------------------|---------|---------------|---------------|---------|---------------|----------------------------------|---------|--------------|
| | Q1 2024 | Q4 2023 | Q1 2023 | Q1 2024 | Q4 2023 | Q1 2023 | Q1 2024 | Q4 2023 | Q1 2023 |
| Shale gas (MMcf/d) | 201.6 | 214.1 | 204.0 | 30.6 | 30.2 | 31.8 | 36.3 | 27.5 | 29.4 |
| Conventional natural gas (MMcf/d) | 0.2 | 0.3 | 0.4 | 47.7 | 49.6 | 49.6 | 2.3 | 4.5 | 5.4 |
| Natural gas (MMcf/d) | 201.8 | 214.4 | 204.4 | 78.3 | 79.8 | 81.4 | 38.6 | 32.0 | 34.8 |
| Condensate (Bbl/d) | 29,061 | 32,155 | 31,367 | 6,038 | 4,003 | 2,315 | 3,233 | 1,364 | 1,024 |
| Other NGLs (Bbl/d) | 4,334 | 4,742 | 4,074 | 1,480 | 1,209 | 988 | 1,140 | 747 | 854 |
| NGLs (Bbl/d) | 33,395 | 36,897 | 35,441 | 7,518 | 5,212 | 3,303 | 4,373 | 2,111 | 1,878 |
| Light and medium crude oil (Bbl/d) | – | – | – | 1,573 | 1,602 | 2,121 | 22 | 34 | 30 |
| Tight oil (Bbl/d) | 141 | 227 | – | 212 | 205 | 206 | 239 | 267 | 393 |
| Heavy crude oil (Bbl/d) | – | – | – | – | – | – | 389 | 433 | 460 |
| Crude oil (Bbl/d) | 141 | 227 | – | 1,785 | 1,807 | 2,327 | 650 | 734 | 883 |
| Total (Boe/d) | 67,163 | 72,860 | 69,507 | 22,353 | 20,324 | 19,201 | 11,461 | 8,164 | 8,561 |

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 this press release for the calculation of netback and netback including risk management contract settlements for the three months ended March 31, 2024, December 31, 2023 and March 31, 2023.

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 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 (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 15 in the Interim Consolidated Financial Statements of Paramount as at and for the three months ended March 31, 2024 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 three months ended March 31, 2024 and 2023 and (iii) a calculation of net (cash) debt as at March 31, 2024 and December 31, 2023.

Supplementary Financial Measures

This press release 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) petroleum and natural gas sales, revenue, 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.

Petroleum and natural gas sales, revenue, 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 petroleum and natural gas sales, 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 (Boe or Mcf) of sales volumes during such period.

ADVISORIES

Forward-looking Information

Certain statements in this press release 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 press release 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;
- planned exploration, development and production activities, including: (i) the expected timing of drilling, completing and bringing new wells on production; (ii) planned workovers; and (iii) the expected timing of completion of planned facilities, including a new natural gas processing facility at Willesden Green;
- the expected impact on sales volumes of outages and curtailments at the third-party Wapiti natural gas processing plant; 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 press release:

- 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 press release, 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 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 or on the Company's website at

www.paramountres.com. The forward-looking information contained in this press release 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 press release, 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 press release. Such assumptions are based on management's assessment of the relevant information currently available and any financial outlook included in this press release 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 | | Natural Gas | |
|-----------------------|--|--------------------|---|
| Bbl | Barrels | GJ | Gigajoules |
| Bbl/d | Barrels per day | GJ/d | Gigajoules per day |
| Mbbl | Thousands of barrels | MMBtu | Millions of British Thermal Units |
| NGLs | Natural gas liquids | MMBtu/d | Millions of British Thermal Units per day |
| Condensate | Pentane and heavier hydrocarbons | Mcf | Thousands of cubic feet |
| WTI | West Texas Intermediate | MMcf | Millions of cubic feet |
| Oil Equivalent | | MMcf/d | Millions of cubic feet per day |
| Boe | Barrels of oil equivalent | NYMEX | New York Mercantile Exchange |
| MBoe | Thousands of barrels of oil equivalent | AECO | AECO-C reference price |
| MMBoe | Millions of barrels of oil equivalent | | |
| Boe/d | Barrels of oil equivalent per day | | |

This press release 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 three months ended March 31, 2024, the value ratio between crude oil and natural gas was approximately 49:1. 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 press release refers to "CGR", a metric commonly used in the oil and natural gas industry. "CGR" means condensate to gas ratio and is calculated by dividing wellhead raw liquids volumes by wellhead raw natural gas volumes. This metric does not have a standardized meaning and may not be comparable to similar measures presented by other companies. As such, it should not be used to make comparisons. Management uses 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.

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 Company's 2024 guidance and, for illustrative comparison, two alternative pricing scenarios for the final three quarters of 2024:

| | 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 | \$205 million | \$135 million | \$65 million |

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



Management's Discussion and Analysis
For the three months ended March 31, 2024

This Management's Discussion and Analysis ("MD&A"), dated May 1, 2024, should be read in conjunction with the unaudited interim condensed consolidated financial statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the three months ended March 31, 2024 (the "Interim Financial Statements") and Paramount's audited consolidated financial statements as at and for the year ended December 31, 2023 (the "Annual 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 for the year ended December 31, 2023 ("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

| Three months ended March 31 | 2024 | 2023 | % Change |
|--|----------------|---------|----------|
| FINANCIAL | | | |
| Petroleum and natural gas sales | 452.3 | 489.7 | (8) |
| Net income | 68.1 | 197.0 | (65) |
| Per share – basic (\$/share) | 0.47 | 1.39 | |
| Per share – diluted (\$/share) | 0.46 | 1.33 | |
| Cash from operating activities | 201.3 | 271.4 | (26) |
| Per share – basic (\$/share) ⁽¹⁾ | 1.39 | 1.91 | |
| Per share – diluted (\$/share) ⁽¹⁾ | 1.35 | 1.84 | |
| Adjusted funds flow ⁽¹⁾ | 225.6 | 268.2 | (16) |
| Per share – basic (\$/share) | 1.56 | 1.89 | |
| Per share – diluted (\$/share) | 1.52 | 1.81 | |
| Free cash flow ⁽¹⁾ | (9.5) | 59.8 | NM |
| Per share – basic (\$/share) | (0.07) | 0.42 | |
| Per share – diluted (\$/share) | (0.07) | 0.40 | |
| Total assets | 4,458.9 | 4,114.6 | 8 |
| Investments in securities | 568.6 | 498.3 | 14 |
| Long-term debt | – | – | – |
| Net (cash) debt ⁽¹⁾ | 68.4 | (43.6) | NM |
| Total liabilities | 906.7 | 785.7 | 15 |
| Common shares outstanding (millions) ⁽²⁾ | 145.2 | 142.4 | 2 |
| Dividends declared and paid (\$/share) | 0.375 | 1.375 | (73) |
| OPERATING | | | |
| Sales volumes | | | |
| Natural gas (MMcf/d) | 318.7 | 320.6 | (1) |
| Condensate and oil (Bbl/d) | 40,908 | 37,916 | 8 |
| Other NGLs (Bbl/d) | 6,954 | 5,916 | 18 |
| Total (Boe/d) | 100,977 | 97,269 | 4 |
| % Liquids | 47% | 45% | |
| Realized prices ⁽¹⁾ | | | |
| Natural gas (\$/Mcf) | 2.84 | 4.23 | (33) |
| Condensate and oil (\$/Bbl) | 92.64 | 100.66 | (8) |
| Other NGLs (\$/Bbl) | 37.81 | 43.93 | (14) |
| Petroleum and natural gas sales (\$/Boe) | 49.24 | 55.94 | (12) |
| Capital expenditures | 213.9 | 184.1 | 16 |

(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): 2024: 0.4 million and 2023: 0.8 million. NM means not meaningful.

Q1 2024 OVERVIEW

In the first quarter of 2024:

- Sales volumes averaged 100,977 Boe/d (47% liquids) compared to 101,348 Boe/d (46% liquids) in the fourth quarter of 2023.
 - Sales volumes in the Grande Prairie Region averaged 67,163 Boe/d (50% liquids), compared to 72,860 Boe/d (51% liquids) in the fourth quarter of 2023. As previously disclosed, first quarter production was impacted by cold weather, intermittent run time at key facilities and other operational challenges that significantly affected production from a number of wells, including the five well Karr 07-33S pad (the "Q1/24 Grande Prairie Region Production Impacts"). Production has since been largely restored and the Company has begun to realize benefits from the aggressive well optimization program it initiated in March 2024.
 - Sales volumes in the Kaybob Region averaged 22,353 Boe/d (42% liquids) compared to 20,324 Boe/d (35% liquids) in the fourth quarter of 2023. Sales volumes and liquids contributions were higher mainly as a result of new Duvernay wells brought onstream that more than offset the impact of the 2024 Kaybob Disposition (defined below).
 - Sales volumes in the Central Alberta and Other Region averaged 11,461 Boe/d (44% liquids) compared to 8,164 Boe/d (35% liquids) in the fourth quarter of 2023. Sales volumes and liquids contributions were higher mainly due to new Duvernay wells brought onstream.
 - Combined, the Company's Duvernay sales volumes in the Kaybob Region and at Willesden Green increased to over 12,000 Boe/d in the first quarter, more than double fourth quarter 2023 Duvernay sales volumes. This production is approximately 70% liquids and is processed through Company owned facilities, resulting in the highest per Boe netback corporately.
- Cash from operating activities was \$201.3 million (\$1.39 per basic share) compared to \$287.0 million (\$1.99 per basic share) in the fourth quarter of 2023. Adjusted funds flow was \$225.6 million (\$1.56 per basic share) compared to \$284.1 million (\$1.97 per basic share) in the fourth quarter of 2023. Free cash flow was (\$9.5) million ((\$0.07) per basic share) compared to \$59.7 million (\$0.41 per basic share) in the fourth quarter of 2023. ⁽¹⁾
- Capital expenditures totaled \$213.9 million compared to \$208.9 million in the fourth quarter of 2023 and were largely directed to the Grande Prairie Region Montney development and the Kaybob North and Willesden Green Duvernay developments.
- Asset retirement obligations settled totaled \$16.5 million compared to \$12.8 million in the fourth quarter of 2023. Activities in the first quarter included the abandonment of 26 wells and the reclamation of 17 sites.
- Paramount closed the sale of certain non-core assets in the Kaybob Region in February 2024 for cash proceeds of \$46.4 million while retaining a 2% no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets (the "2024 Kaybob Disposition").
- Net debt was \$68.4 million at March 31, 2024 compared to \$59.6 million at December 31, 2023, with the ratio of net debt to adjusted funds flow remaining at 0.1x. Paramount's \$1.0 billion revolving credit facility was undrawn at March 31, 2024. ⁽¹⁾

(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.

- The carrying value of the Company's investments in securities was \$568.6 million at March 31, 2024 compared to \$540.9 million at December 31, 2023. In April 2024, Paramount sold 6.0 million common shares of NuVista Energy Ltd. ("NuVista Shares") for net cash proceeds of \$74.8 million. Immediately following the sale, Paramount held 31.3 million NuVista Shares, representing approximately 15% of the outstanding NuVista Shares.

INCREASED DIVIDEND

Paramount's Board of Directors has approved a 20% increase in the regular monthly dividend from \$0.125 to \$0.15 per Common Share. The Company continues to prioritize the delivery of shareholder returns through a combination of dividends and organic growth while maintaining a strong balance sheet. This is the fifth increase in the regular monthly dividend since it was implemented in July 2021.

The first increased dividend of \$0.15 per Common Share will be payable on May 31, 2024 to shareholders of record on May 15, 2024.

GUIDANCE

Paramount is reaffirming its 2024 sales volumes, capital expenditure and abandonment and reclamation expenditure guidance. The Company is updating its forecast of 2024 free cash flow from \$235 million to \$205 million to reflect first quarter results. Pricing assumptions for the final three quarters of 2024 remain unchanged at US\$80.00/Bbl WTI, US\$3.50/MMBtu NYMEX and \$2.84/GJ AECO.

| | 2024 Guidance |
|--|----------------------------------|
| Annual average sales volumes (Boe/d) | 100,000 to 106,000 (47% liquids) |
| First half 2024 (Boe/d) | 96,000 to 100,000 (47% liquids) |
| Second half 2024 (Boe/d) | 104,000 to 112,000 (47% liquids) |
| Capital expenditures | \$830 to \$890 million |
| Sustaining and Maintenance | \$415 to \$445 million |
| Growth | \$415 to \$445 million |
| Abandonment and reclamation expenditures | \$40 million |
| Free cash flow ⁽¹⁾ | \$205 million |

The Company's midpoint 2024 capital program, abandonment and reclamation expenditures and increased regular monthly dividend is more than fully funded under the above forecast, when combined with cash proceeds from dispositions realized year-to-date. The Company's midpoint 2024 sustaining and maintenance capital program, abandonment and reclamation expenditures and increased regular monthly dividend would remain fully funded down to an average WTI price for the remaining three quarters of 2024 of about US\$45/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 \$55.85/Boe; (v) a US\$/CAD exchange rate of \$0.737, (vi) royalties of \$8.10/Boe, (vii) operating costs of \$13.30/Boe and (viii) transportation and NGLs processing costs of \$3.65/Boe. Assumed pricing of US\$80.00/Bbl WTI, US\$3.50/MMBtu NYMEX and \$2.84/GJ AECO and an assumed US\$/CAD exchange rate of \$0.735 for the remaining three quarters of 2024 is unchanged from previous guidance, but the stated amounts have been adjusted to incorporate actual results for the first quarter of 2024.

CONSOLIDATED RESULTS

Net Income

Paramount recorded net income of \$68.1 million for the three months ended March 31, 2024 compared to net income of \$197.0 million in the same period in 2023. Significant factors contributing to the change are shown below:

| Three months ended March 31 | |
|--|--------------|
| Net income – 2023 | 197.0 |
| • Lower gain on sale of oil and gas assets in 2024 | (105.5) |
| • Lower netback in 2024 mainly due to lower commodity prices | (35.3) |
| • Higher depletion and depreciation expense in 2024 | (13.3) |
| • Higher loss on risk management contracts in 2024 | (9.5) |
| • Lower income tax expense in 2024 | 35.6 |
| • Other | (0.9) |
| Net income – 2024 | 68.1 |

Cash From Operating Activities

Cash from operating activities for the three months ended March 31, 2024 was \$201.3 million compared to \$271.4 million in the same period in 2023. Significant factors contributing to the change are shown below:

| Three months ended March 31 | |
|---|--------------|
| Cash from operating activities – 2023 | 271.4 |
| • Lower netback in 2024 mainly due to lower commodity prices | (35.3) |
| • Change in non-cash working capital | (33.6) |
| • Payments on risk management contract settlements in 2024 compared to receipts in 2023 | (6.6) |
| • Lower asset retirement obligations settled in 2024 | 5.3 |
| • Other | 0.1 |
| Cash from operating activities – 2024 | 201.3 |

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 March 31 | 2024 | 2023 |
|---|--------------|--------|
| Cash from operating activities | 201.3 | 271.4 |
| Change in non-cash working capital ⁽¹⁾ | 3.6 | (30.0) |
| Geological and geophysical expense ⁽²⁾ | 4.7 | 2.5 |
| Asset retirement obligations settled ⁽¹⁾ | 16.5 | 21.8 |
| Provisions ⁽³⁾ | (0.5) | 2.5 |
| Adjusted funds flow ⁽⁴⁾ | 225.6 | 268.2 |
| Adjusted funds flow (\$/Boe) ⁽⁵⁾ | 24.55 | 30.64 |

(1) Refer to the interim condensed consolidated statements of cash flows in the Interim Financial Statements.

(2) Refer to Note 2 in the Interim Financial Statements.

(3) Refer to Note 13 in the Interim Financial Statements.

(4) 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.

(5) 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 three months ended March 31, 2024 was \$225.6 million compared to \$268.2 million in the same period in 2023. Significant factors contributing to the change are shown below:

| Three months ended March 31 | |
|---|--------------|
| Adjusted funds flow – 2023 | 268.2 |
| • Lower netback in 2024 mainly due to lower commodity prices | (35.3) |
| • Payments on risk management contract settlements in 2024 compared to receipts in 2023 | (6.6) |
| • Other | (0.7) |
| Adjusted funds flow – 2024 | 225.6 |

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 March 31 | 2024 | 2023 |
|---|--------------|-------------|
| Cash from operating activities | 201.3 | 271.4 |
| Change in non-cash working capital ⁽¹⁾ | 3.6 | (30.0) |
| Geological and geophysical expense ⁽²⁾ | 4.7 | 2.5 |
| Asset retirement obligations settled ⁽¹⁾ | 16.5 | 21.8 |
| Provisions ⁽³⁾ | (0.5) | 2.5 |
| Adjusted funds flow | 225.6 | 268.2 |
| Capital expenditures ⁽¹⁾ | (213.9) | (184.1) |
| Geological and geophysical expense ⁽²⁾ | (4.7) | (2.5) |
| Asset retirement obligations settled ⁽¹⁾ | (16.5) | (21.8) |
| Free cash flow ⁽⁴⁾ | (9.5) | 59.8 |

(1) Refer to the interim condensed consolidated statements of cash flows in the Interim Financial Statements.

(2) Refer to Note 2 in the Interim Financial Statements.

(3) Refer to Note 13 in the Interim Financial Statements.

(4) 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 three months ended March 31, 2024 was (\$9.5) million compared to \$59.8 million for the three months ended March 31, 2023. Significant factors contributing to the change are shown below:

| Three months ended March 31 | |
|--|--------------|
| Free cash flow – 2023 | 59.8 |
| • Lower adjusted funds flow (described in "Adjusted Funds Flow" section above) | (42.6) |
| • Higher capital expenditures in 2024 | (29.8) |
| • Higher geological and geophysical expense in 2024 | (2.2) |
| • Lower asset retirement obligations settled in 2024 | 5.3 |
| Free cash flow – 2024 | (9.5) |

OPERATING RESULTS

Netback

| Three months ended March 31 | 2024 | | 2023 | |
|--|--------------|----------------------------|---------|----------------------------|
| | | (\$/Boe) ⁽¹⁾⁽²⁾ | | (\$/Boe) ⁽¹⁾⁽²⁾ |
| Natural gas revenue ⁽³⁾ | 82.4 | 2.84 | 122.0 | 4.23 |
| Condensate and oil revenue ⁽³⁾ | 344.8 | 92.64 | 343.5 | 100.66 |
| Other NGLs revenue ⁽³⁾ | 23.9 | 37.81 | 23.4 | 43.93 |
| Royalty income and other revenue ⁽³⁾ | 1.2 | – | 0.8 | – |
| Petroleum and natural gas sales ⁽⁴⁾ | 452.3 | 49.24 | 489.7 | 55.94 |
| Royalties ⁽⁴⁾ | (61.8) | (6.73) | (69.1) | (7.90) |
| Operating expense ⁽⁴⁾ | (118.9) | (12.94) | (108.8) | (12.43) |
| Transportation and NGLs processing ⁽⁴⁾ | (31.9) | (3.47) | (36.3) | (4.15) |
| Sales of commodities purchased ⁽⁴⁾ | 54.7 | 5.95 | 115.1 | 13.15 |
| Commodities purchased ⁽⁴⁾ | (53.4) | (5.81) | (114.3) | (13.05) |
| Netback ⁽⁵⁾ | 241.0 | 26.24 | 276.3 | 31.56 |
| Risk management contract settlements ⁽⁶⁾ | (0.5) | (0.05) | 6.1 | 0.70 |
| Netback including risk management contract settlements ⁽⁷⁾ | 240.5 | 26.19 | 282.4 | 32.26 |

(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 12 in the Interim Financial Statements.

(4) Refer to the interim condensed consolidated statements of comprehensive income in the Interim 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 11 in the Interim 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 \$452.3 million in the first quarter of 2024 compared to \$489.7 million in the same period in 2023. The decrease in 2024 was mainly due to the effects of a 12 percent decrease in average realized petroleum and natural gas sales prices per Boe, which were partially offset by a four percent increase in sales volumes over the same period.

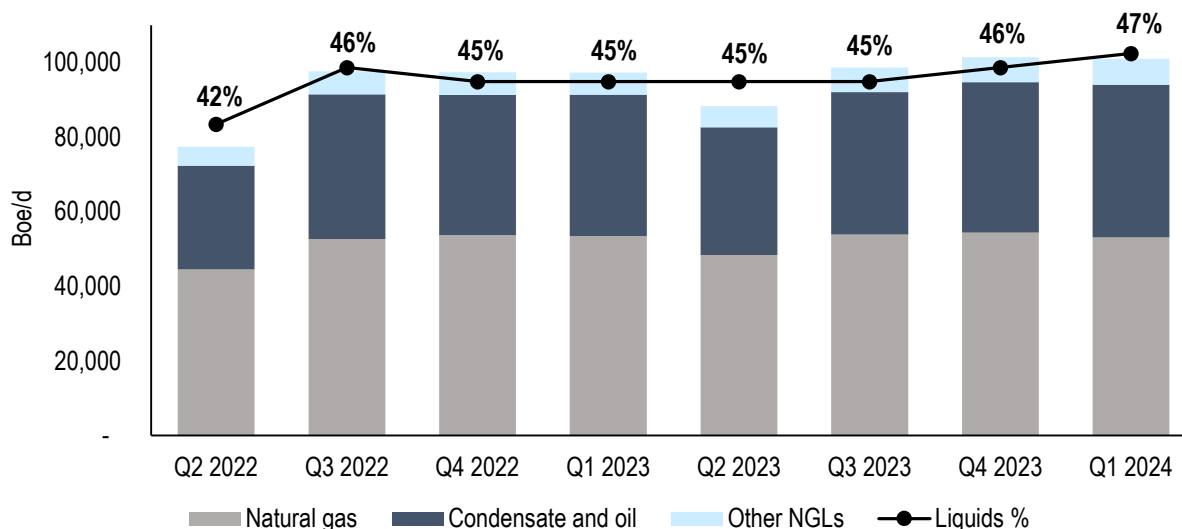
The impact of changes in prices and sales volumes on petroleum and natural gas sales are as follows:

| | Natural gas | Condensate and oil | Other NGLs | Royalty income and other revenue | Total |
|--|-------------|--------------------|-------------|----------------------------------|--------------|
| Three months ended March 31, 2023 | 122.0 | 343.5 | 23.4 | 0.8 | 489.7 |
| Effect of changes in prices | (40.2) | (29.9) | (3.9) | – | (74.0) |
| Effect of changes in sales volumes | 0.6 | 31.2 | 4.4 | – | 36.2 |
| Change in royalty income and other revenue | – | – | – | 0.4 | 0.4 |
| Three months ended March 31, 2024 | 82.4 | 344.8 | 23.9 | 1.2 | 452.3 |

Sales Volumes

| | Three months ended March 31 | | | | | | | | | | | |
|---------------------------|--|--------------|-------------|--|---------------|-----------|--------------------------------------|--------------|------------|---------------------------------|---------------|-----------|
| | Natural gas (MMcf/d) ⁽¹⁾ | | | Condensate and oil (Bbl/d) ⁽¹⁾ | | | Other NGLs (Bbl/d) ⁽¹⁾ | | | Total (Boe/d) ⁽¹⁾ | | |
| | 2024 | 2023 | Chg | 2024 | 2023 | Chg | 2024 | 2023 | Chg | 2024 | 2023 | Chg |
| Grande Prairie | 201.8 | 204.4 | (1%) | 29,202 | 31,367 | (7%) | 4,334 | 4,074 | 6% | 67,163 | 69,507 | (3%) |
| Kaybob | 78.3 | 81.4 | (4%) | 7,823 | 4,642 | 69% | 1,480 | 988 | 50% | 22,353 | 19,201 | 16% |
| Central Alberta and Other | 38.6 | 34.8 | 11% | 3,883 | 1,907 | 104% | 1,140 | 854 | 33% | 11,461 | 8,561 | 34% |
| Total | 318.7 | 320.6 | (1%) | 40,908 | 37,916 | 8% | 6,954 | 5,916 | 18% | 100,977 | 97,269 | 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 averaged 100,977 Boe/d (47% liquids) in the first quarter of 2024, compared to 97,269 Boe/d (45% liquids) in the same period in 2023.

Grande Prairie Region sales volumes averaged 67,163 Boe/d (50% liquids) in the first quarter of 2024 compared to 69,507 Boe/d (51% liquids) in the same period in 2023. First quarter 2024 production was lower than the same period in 2023 mainly due to the Q1/24 Grande Prairie Region Production Impacts. New well production that came onstream partly offset these impacts.

Paramount commenced an aggressive well optimization program in the Grande Prairie Region in March 2024 to increase production from shut-in wells and wells that would benefit from intervention. This has included, among other well interventions, workover operations on the Karr 07-33S pad that have yielded positive initial results.

Kaybob Region sales volumes averaged 22,353 Boe/d (42% liquids) in the first quarter of 2024 compared to 19,201 Boe/d (29% liquids) in the same period in 2023. The 16 percent increase was mainly due to new Duvernay wells brought onstream, which more than offset the impact of the 2024 Kaybob Disposition.

Sales volumes in the Central Alberta and Other Region averaged 11,461 Boe/d (44% liquids) in the first quarter of 2024 compared to 8,561 Boe/d (32% liquids) in the same period of 2023. The 34 percent increase was mainly as a result of new Duvernay wells brought onstream.

Commodity Prices

| Three months ended March 31 | 2024 | 2023 | % Change |
|--|-------|--------|----------|
| Natural Gas ⁽¹⁾ | | | |
| Paramount realized natural gas price (\$/Mcf) | 2.84 | 4.23 | (33) |
| AECO daily spot (\$/GJ) | 2.36 | 3.05 | (23) |
| AECO monthly index (\$/GJ) | 1.94 | 4.12 | (53) |
| Dawn (\$/MMBtu) | 2.81 | 3.70 | (24) |
| NYMEX (US\$/MMBtu) | 2.09 | 2.76 | (24) |
| Malin daily index (US\$/MMBtu) | 3.14 | 9.30 | (66) |
| Condensate and Oil ⁽¹⁾ | | | |
| Paramount realized condensate & oil price (\$/Bbl) | 92.64 | 100.66 | (8) |
| Edmonton light sweet crude oil (\$/Bbl) | 95.45 | 99.73 | (4) |
| Edmonton condensate (\$/Bbl) | 99.24 | 107.00 | (7) |
| West Texas Intermediate crude oil (US\$/Bbl) | 76.96 | 76.13 | 1 |
| Other NGLs ⁽¹⁾ | | | |
| Paramount realized Other NGLs price (\$/Bbl) | 37.81 | 43.93 | (14) |
| Conway – propane (\$/Bbl) | 44.75 | 44.58 | – |
| Belvieu – butane (\$/Bbl) | 56.70 | 62.86 | (10) |
| Foreign Exchange | | | |
| \$CAD / 1 \$US | 1.35 | 1.35 | – |

(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 current 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. In the first quarters of 2023 and 2024, Paramount's natural gas sales portfolio included arrangements to sell approximately 60,000 GJ/d of natural gas at Dawn and approximately 22,000 GJ/d of natural gas at Malin. In the first quarter of 2023, the Company's natural gas sales portfolio also included arrangements to sell 40,000 GJ/d of natural gas priced at the U.S. Midwest. Beginning in the fourth quarter of 2024, Paramount also has ex-Alberta to Iroquois natural gas transportation of approximately 20,000 GJ/d.

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. In the first quarter of 2024, the differentials to West Texas Intermediate crude oil prices for light sweet crude oil and condensate at Edmonton widened compared to the same period in 2023.

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

During the three months ended March 31, 2024, Paramount entered into an agreement to deliver between 250 Bbl/d and 1,000 Bbl/d of propane over five years at a delivery point in Alberta beginning February 2024. The price to be received is based on the Argus Propane Monthly Far East Index less deductions for transportation, fuel and other charges.

The Company had the following basis differential physical sales contracts at March 31, 2024:

| | Volume | Location | Average price | Remaining term |
|-------------|----------------|----------|---------------------------------------|---------------------------|
| Natural gas | 40,000 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:

| | Three months ended March 31, 2024 |
|----------------------------------|--------------------------------------|
| Fair value, beginning of period | – |
| Changes in fair value | (0.9) |
| Fair value, end of period | (0.9) |

Paramount had the following financial commodity contracts at March 31, 2024:

| Instruments | Aggregate amount / notional | Average price or rate | Remaining term |
|---|--------------------------------|--------------------------|--------------------------|
| Oil – MSW WTI Differential Swap (Sale) ⁽¹⁾ | 5,000 Bbl/d | WTI – US\$2.56/Bbl | May 2024 – December 2024 |

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

Subsequent to March 31, 2024, the Company entered into the following financial commodity contracts:

| Instruments | Aggregate amount / notional | Average price or rate | Remaining term |
|---|--------------------------------|--------------------------|----------------------------|
| Oil – NYMEX WTI Swaps (Sale) ⁽¹⁾ | 14,250 Bbl/d | CAD\$111.67/Bbl | April 2024 – December 2024 |

(1) "NYMEX" means New York Mercantile Exchange and "WTI" means West Texas Intermediate.

For further details on the Company's financial commodity contracts, refer to Note 11 in the Interim 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:

| | Three months ended March 31, 2024 |
|----------------------------------|--------------------------------------|
| Fair value, beginning of period | 8.4 |
| Changes in fair value | (10.5) |
| Settlements paid (received) | 0.5 |
| Fair value, end of period | (1.6) |

The Company had the following foreign currency exchange contracts at March 31, 2024:

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

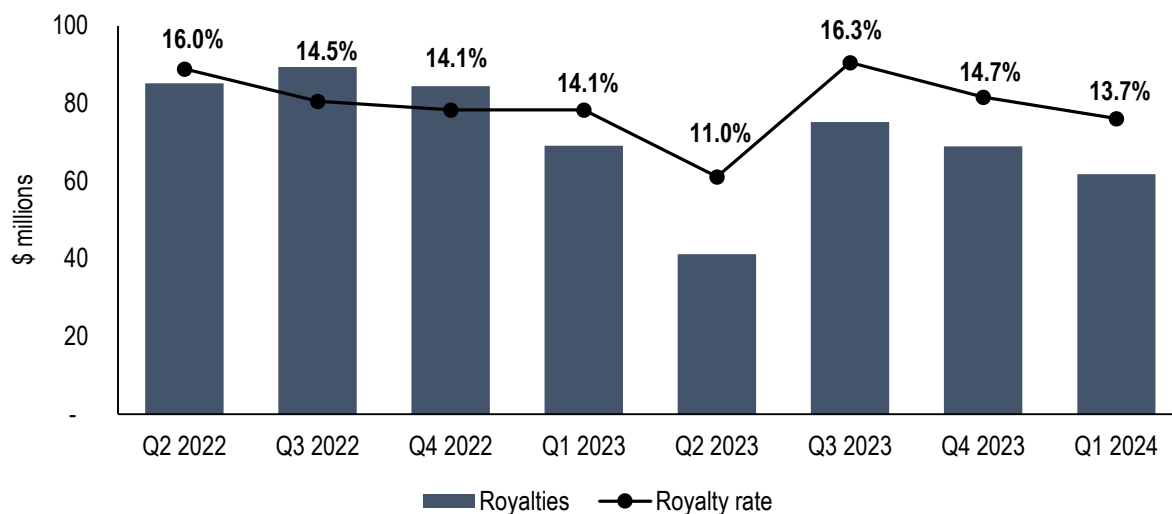
(1) Average rate is calculated using a weighted average of notional volumes and foreign currency exchange rates.

For further details on the Company's foreign currency exchange contracts, refer to Note 11 in the Interim Financial Statements.

Royalties

| Three months ended March 31 | 2024 | Rate | 2023 | Rate |
|-----------------------------|------|-------|------|-------|
| Royalties | 61.8 | 13.7% | 69.1 | 14.1% |
| \$/Boe ⁽¹⁾ | 6.73 | | 7.90 | |

(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.

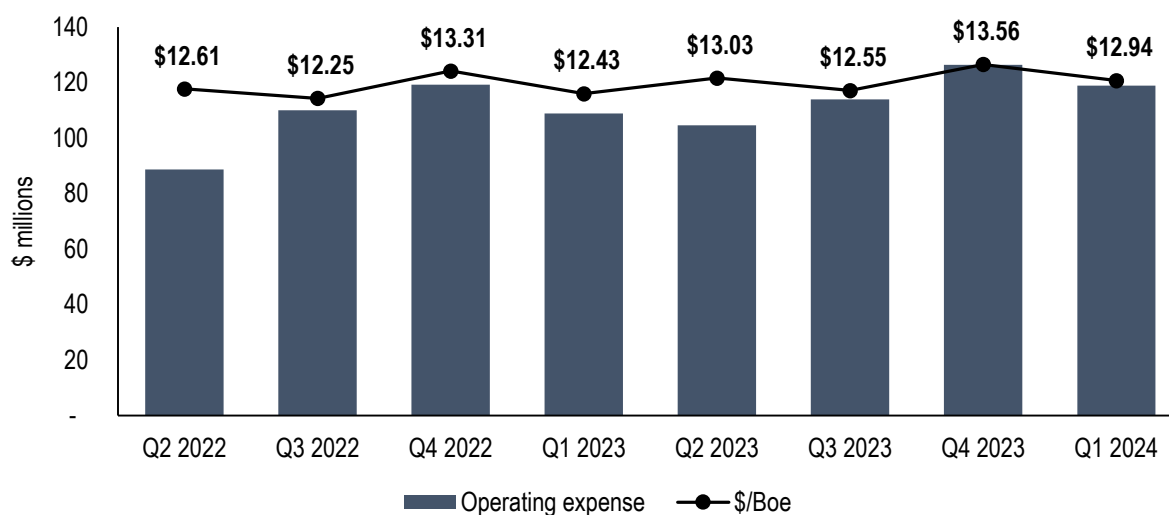


Royalties were \$61.8 million in the first quarter of 2024 compared to \$69.1 million in the same period in 2023. Royalties decreased in 2024 mainly as a result of lower petroleum and natural gas sales and lower royalty rates. Royalty rates decreased in the first quarter of 2024 mainly due to lower commodity prices.

Operating Expense

| Three months ended March 31 | 2024 | 2023 | % Change |
|-----------------------------|-------|-------|----------|
| Operating expense | 118.9 | 108.8 | 9 |
| \$/Boe ⁽¹⁾ | 12.94 | 12.43 | 4 |

(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 \$118.9 million in the first quarter of 2024, nine percent higher than in the same period in 2023, mainly due to increased workover and maintenance activities from the Company's 2024 Grande Prairie well optimization program aimed at increasing production from previously drilled wells (the "Grande Prairie Region Well Optimization Program").

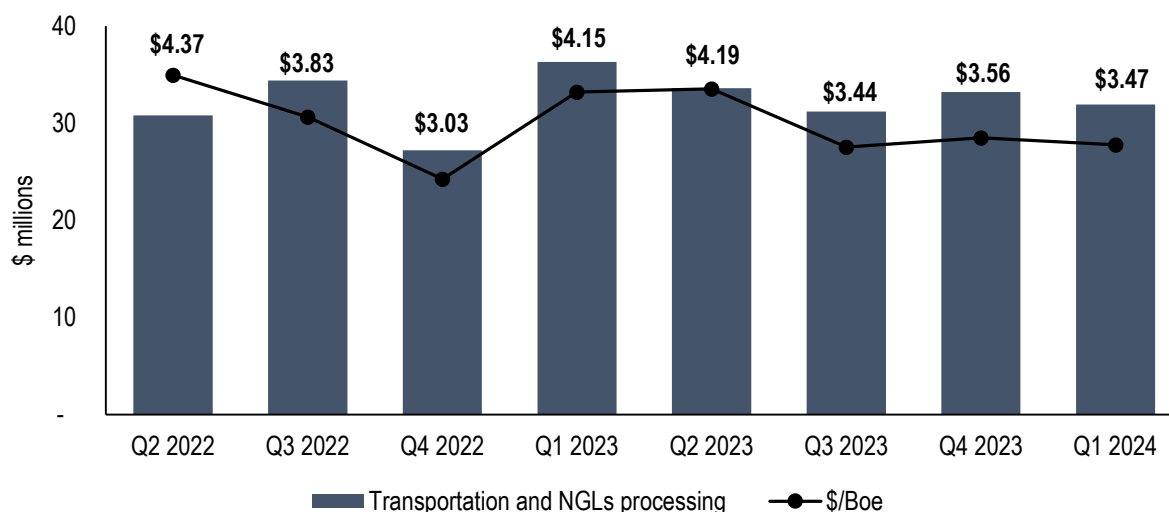
Operating expenses in the Grande Prairie Region were \$80.1 million (\$13.11/Boe) in the first quarter of 2024 compared to \$70.3 million (\$11.24/Boe) in the same period in 2023, a 14 percent increase. Grande Prairie Region operating expenses and per unit operating expenses were higher mainly as a result of the Grande Prairie Region Well Optimization Program.

Total Company operating expenses were \$12.94/Boe in the first quarter of 2024 compared to \$12.43/Boe in the same period in 2023. The increase was mainly due to the Grande Prairie Region Well Optimization Program, partially offset by higher sales volumes.

Transportation and NGLs Processing

| Three months ended March 31 | 2024 | 2023 | % Change |
|------------------------------------|------|------|----------|
| Transportation and NGLs processing | 31.9 | 36.3 | (12) |
| \$/Boe ⁽¹⁾ | 3.47 | 4.15 | (16) |

(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 in the first quarter of 2024 was \$31.9 million (\$3.47/Boe) compared to \$36.3 million (\$4.15/Boe) in the same period in 2023, a 12 percent decrease. The decrease in transportation and NGLs processing expense is mainly due to short-term optimization activities undertaken by the Company with respect to its transportation portfolio, partially offset by higher sales volumes in 2024.

Sales of Commodities Purchased and Commodities Purchased

| Three months ended March 31 | 2024 | 2023 | % Change |
|--------------------------------|--------|---------|----------|
| Sales of commodities purchased | 54.7 | 115.1 | (52) |
| Commodities purchased | (53.4) | (114.3) | (53) |

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 in the Interim Financial Statements.

Other Items

| Three months ended March 31 | 2024 | 2023 |
|---|--------|---------|
| Depletion and depreciation | 111.3 | 97.1 |
| Change in asset retirement obligations | 3.5 | 4.4 |
| Exploration and evaluation expense | 4.7 | 2.8 |
| Gain on sale of oil and gas assets | (15.6) | (121.1) |
| Accretion of asset retirement obligations | 10.5 | 10.7 |

Depletion and depreciation expense was \$111.3 million in the first quarter of 2024, compared to \$97.1 million in the first quarter of 2023. The increase in depletion and depreciation expense in 2024 was attributable to both higher depletion rates per Boe and higher sales volumes.

In the first quarter of 2024, the Company recorded a charge of \$3.5 million (2023 – \$4.4 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 resulted from revisions to the estimated costs.

Exploration and evaluation expense was \$4.7 million in the first quarter of 2024 compared to \$2.8 million in the same period in 2023.

In February 2024, Paramount closed the 2024 Kaybob Disposition, receiving cash proceeds of \$46.4 million. A gain of \$15.3 million was recognized on the sale. The properties sold had average sales volumes of approximately 850 Boe/d (1.2 MMcf/d of shale gas, 1.0 MMcf/d of conventional gas and 470 Bbl/d of NGLs) in the fourth quarter of 2023, the last full quarter prior to sale.

In mid-January 2023, Paramount closed the sale of its Kaybob Smoky and Kaybob South Duvernay properties and certain other minor interests in the Kaybob Region (the "2023 Kaybob Disposition"). 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.

Accretion of asset retirement obligations was \$10.5 million in the first quarter of 2024, relatively consistent compared to \$10.7 million in the same period in 2023.

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations settled in the first quarter of 2024 totaled \$16.5 million. Activities in the first quarter of 2024 included the abandonment of 26 wells and the reclamation of 17 sites.

At March 31, 2024, estimated undiscounted, uninflated asset retirement obligations were \$1,251.5 million (December 31, 2023 – \$1,295.4 million). As at March 31, 2024, the Company's discounted asset retirement obligations were \$571.2 million (discounted at 7.75% percent per annum and using an inflation rate of 2.0 percent per annum) compared to \$587.3 million as at December 31, 2023 (discounted at 7.75 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 6 in the Interim Financial Statements.

OTHER ASSETS

Investments in Securities

| As at | March 31, 2024 | December 31, 2023 |
|------------------------|----------------|-------------------|
| Level One Securities | 449.8 | 422.0 |
| Level Three Securities | 118.8 | 118.9 |
| | 568.6 | 540.9 |

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 fair value hierarchy securities ("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 fair

value hierarchy securities ("Level Three Securities"). Estimates of fair values for these investments are based on valuation techniques that incorporate unobservable inputs.

Level One Securities at March 31, 2024 included 37.3 million NuVista Shares (December 31, 2023 – 37.3 million NuVista Shares), which had a carrying value of \$442.6 million (December 31, 2023 – \$411.3 million). In April 2024, Paramount sold 6.0 million NuVista Shares for net cash proceeds of \$74.8 million.

Level Three Securities at March 31, 2024 and December 31, 2023 included investments in the shares of Sultran Ltd. and Westbrick Energy Ltd.

The Company recorded an unrealized gain of \$32.0 million, before tax, to other comprehensive income in the first quarter of 2024 related to changes in the fair value estimates of its investments in securities.

In the first quarter of 2024, Paramount sold a portion of its Level One Securities for aggregate cash proceeds of \$4.2 million, resulting in \$0.1 million of accumulated net losses, net of tax, being reclassified from reserves to retained earnings.

For additional details concerning the Company's investments in securities, refer to Note 4 in the Interim Financial Statements.

CORPORATE

| Three months ended March 31 | 2024 | 2023 |
|-----------------------------|-------|------|
| General and administrative | 14.4 | 15.0 |
| Share-based compensation | 7.4 | 6.9 |
| Interest and financing | 1.6 | 1.5 |
| Deferred income tax expense | 24.1 | 59.7 |
| Other | (0.4) | 0.4 |

General and administrative expense was \$14.4 million in the first quarter of 2024 compared to \$15.0 million in the same period in 2023. Share-based compensation expense was \$7.4 million in the first quarter of 2024, compared to \$6.9 million in the first quarter of 2023.

Deferred income tax expense was \$24.1 million in the first quarter of 2024, compared to \$59.7 million in the same period in 2023.

CAPITAL EXPENDITURES AND LAND AND PROPERTY ACQUISITIONS

Capital Expenditures

| Three months ended March 31 | 2024 | 2023 |
|---|--------------|--------------|
| Drilling, completion, equipping and tie-ins | 147.2 | 141.7 |
| Facilities and gathering | 69.2 | 33.6 |
| Drilling rigs | 4.0 | 3.1 |
| Corporate | (6.5) | 5.7 |
| Capital expenditures | 213.9 | 184.1 |
| Grande Prairie Region | 120.2 | 121.1 |
| Kaybob Region | 56.3 | 39.0 |
| Central Alberta and Other Region | 39.8 | 5.6 |
| Fox Drilling and Cavalier Energy | 4.1 | 12.7 |
| Corporate ⁽¹⁾ | (6.5) | 5.7 |
| Capital expenditures | 213.9 | 184.1 |

(1) Includes transfers between regions.

Land and Property Acquisitions

| Three months ended March 31 | 2024 | 2023 |
|---------------------------------------|------------|-------------|
| Land and property acquisitions | 0.6 | 26.6 |

Capital expenditures totaled \$213.9 million in the first quarter of 2024, compared to \$184.1 million in the first quarter of 2023. Significant capital program activities in the first quarter of 2024 included the following:

- In the Grande Prairie Region, the Company drilled 9 (9.0 net) Montney wells and completed and brought onstream 4 (4.0 net) Montney wells. The Company is also advancing the construction of a new compressor node in the Wapiti area.
- In the Kaybob Region, the Company drilled 4 (4.0 net) Duvernay wells and completed and brought onstream 6 (6.0 net) Duvernay wells.
- In the Central Alberta and Other Region, the Company commenced the construction of its second natural gas processing plant at Willesden Green with earthworks, the ordering of equipment and offsite construction of equipment modules underway. The Company also drilled 2 (2.0 net) Duvernay wells and brought onstream 2 (2.0 net) Duvernay wells at Willesden Green.

Land and property acquisitions totaled \$0.6 million in the first quarter of 2024 compared to \$26.6 million in the same period in 2023.

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 15 in the Interim Financial Statements for important additional information concerning these measures.

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

| | March 31, 2024 | December 31, 2023 |
|--|----------------|-------------------|
| Cash and cash equivalents | (57.1) | (48.9) |
| Accounts receivable ⁽¹⁾ | (163.3) | (155.0) |
| Prepaid expenses and other | (13.3) | (9.0) |
| Accounts payable and accrued liabilities | 302.1 | 272.5 |
| Net (cash) debt | 68.4 | 59.6 |

(1) Excludes accounts receivable relating to lease incentives (March 31, 2024 – \$0.8 million, December 31, 2023 – \$0.8 million).

Net (cash) debt does not account for the \$568.6 million carrying value of the Company's investments in securities as at March 31, 2024 (December 31, 2023 – \$540.9 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 the "Guidance" section, 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 April 2024, the Company sold 6.0 million NuVista Shares for net cash proceeds of \$74.8 million. In the first quarter of 2024, Paramount closed the 2024 Kaybob Disposition for cash proceeds of \$46.4 million. In the first quarter of 2023, the Company closed the 2023 Kaybob Disposition for cash proceeds of \$370.2 million and repaid all remaining drawings then outstanding 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 March 31, 2024 (December 31, 2023 – \$3.1 million) that reduce the amount available to be drawn on the facility.

For additional information concerning the Paramount Facility, refer to Note 8 of the Annual 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 March 31, 2024, \$30.1 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2023 – \$30.1 million).

Cash Flow Hedges

The Company had the following electricity swaps at March 31, 2024:

| Contract type | Aggregate notional ⁽¹⁾ | Remaining term | Average fixed contract rate ⁽¹⁾ | Reference ⁽¹⁾ | Fair value |
|-------------------------|-----------------------------------|------------------------------|--|--------------------------|------------|
| Electricity Swaps (Buy) | 240 MWh/d | April 2024 – December 2024 | \$66.13/MWh | AESO Pool Price | – |
| Electricity Swaps (Buy) | 240 MWh/d | January 2025 – December 2025 | \$71.13/MWh | AESO Pool Price | (1.2) |
| | | | | | (1.2) |

(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 March 31, 2024.

Share Capital

At April 30, 2024, Paramount had 146.1 million Common Shares outstanding (net of 0.1 million Common Shares held in trust under the Company's restricted share unit plan) and 10.0 million options to acquire Common Shares outstanding, of which 2.3 million options are exercisable.

In the first quarter of 2024, Paramount issued 1.0 million Common Shares on the exercise of options to acquire Common Shares.

Dividends

In the first quarter of 2024, Paramount declared total cash dividends of \$0.375 per Common Share or \$54.1 million (2023 – \$1.375 per Common Share or \$196.5 million comprised of a special dividend of \$1.00 per Common Share and regular monthly dividends totaling \$0.375 per Common Share). Subsequent to March 31, 2024, the Company paid a regular monthly cash dividend of \$0.125 per Common Share on April 30, 2024 to shareholders of record on April 15, 2024.

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.

QUARTERLY INFORMATION

| | 2024 | 2023 | | | | 2022 | | |
|---|----------------|---------|--------|--------|--------|--------|--------|--------|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| Petroleum and natural gas sales | 452.3 | 470.5 | 463.8 | 374.4 | 489.7 | 597.7 | 618.9 | 536.2 |
| Revenue | 445.2 | 451.8 | 430.7 | 380.9 | 535.7 | 616.0 | 607.4 | 493.7 |
| Net income | 68.1 | 111.9 | 87.2 | 74.2 | 197.0 | 259.9 | 221.9 | 182.2 |
| Per share – basic (\$/share) | 0.47 | 0.78 | 0.61 | 0.52 | 1.39 | 1.83 | 1.57 | 1.29 |
| Per share – diluted (\$/share) | 0.46 | 0.75 | 0.59 | 0.50 | 1.33 | 1.76 | 1.51 | 1.24 |
| Cash from operating activities | 201.3 | 287.0 | 207.6 | 172.2 | 271.4 | 306.9 | 248.9 | 318.9 |
| Per share – basic (\$/share) ⁽¹⁾ | 1.39 | 1.99 | 1.45 | 1.20 | 1.91 | 2.17 | 1.76 | 2.26 |
| Per share – diluted (\$/share) ⁽¹⁾ | 1.35 | 1.93 | 1.40 | 1.16 | 1.84 | 2.08 | 1.69 | 2.16 |
| Adjusted funds flow ⁽¹⁾ | 225.6 | 284.1 | 234.2 | 178.7 | 268.2 | 340.7 | 334.3 | 258.3 |
| Per share – basic (\$/share) | 1.56 | 1.97 | 1.64 | 1.25 | 1.89 | 2.40 | 2.37 | 1.83 |
| Per share – diluted (\$/share) | 1.52 | 1.91 | 1.58 | 1.21 | 1.81 | 2.31 | 2.27 | 1.75 |
| Free cash flow ⁽¹⁾ | (9.5) | 59.7 | 18.5 | 30.5 | 59.8 | 162.0 | 137.5 | 68.3 |
| Per share – basic (\$/share) | (0.07) | 0.41 | 0.13 | 0.21 | 0.42 | 1.14 | 0.97 | 0.48 |
| Per share – diluted (\$/share) | (0.07) | 0.40 | 0.12 | 0.21 | 0.40 | 1.10 | 0.93 | 0.46 |
| Dividends declared (\$/share) | 0.375 | 0.375 | 0.375 | 0.375 | 1.375 | 0.35 | 0.30 | 0.28 |
| Sales volumes | | | | | | | | |
| Natural gas (MMcf/d) | 318.7 | 326.2 | 323.1 | 290.2 | 320.6 | 321.9 | 315.9 | 267.2 |
| Condensate and oil (Bbl/d) | 40,908 | 40,290 | 38,161 | 34,230 | 37,916 | 37,580 | 38,804 | 27,750 |
| Other NGLs (Bbl/d) | 6,954 | 6,698 | 6,627 | 5,648 | 5,916 | 6,143 | 6,144 | 5,021 |
| Total (Boe/d) | 100,977 | 101,348 | 98,644 | 88,243 | 97,269 | 97,370 | 97,601 | 77,312 |
| Liquids % | 47% | 46% | 45% | 45% | 45% | 45% | 46% | 42% |
| Realized prices ⁽¹⁾ | | | | | | | | |
| Natural gas (\$/Mcf) | 2.84 | 2.79 | 2.67 | 2.43 | 4.23 | 6.56 | 6.39 | 6.75 |
| Condensate and oil (\$/Bbl) | 92.64 | 98.12 | 103.36 | 94.42 | 100.66 | 108.50 | 112.56 | 134.65 |
| Other NGLs (\$/Bbl) | 37.81 | 36.00 | 33.64 | 30.86 | 43.93 | 48.25 | 51.20 | 62.80 |
| Petroleum and natural gas (\$/Boe) | 49.24 | 50.46 | 51.11 | 46.63 | 55.94 | 66.72 | 68.92 | 76.22 |

(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.

- First quarter 2024 earnings include a \$15.6 million gain on the sale of oil and gas assets.
- Fourth quarter 2023 earnings include a \$53.4 million gain on risk management contracts.
- Third quarter 2023 earnings include 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.

OTHER INFORMATION

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the three months ended March 31, 2024, there was no change in the Company's internal control over financial reporting ("ICFR") that materially affected, or is reasonably likely to materially affect, the Company's ICFR.

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.

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.

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.

| | 2024 | 2023 | | | | 2022 | | | | Annual | |
|--|----------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | 2023 | 2022 |
| SALES VOLUMES – TOTAL COMPANY BY PRODUCT TYPE | | | | | | | | | | | |
| Shale gas (MMcf/d) | 268.5 | 271.8 | 276.7 | 246.0 | 265.2 | 260.0 | 253.8 | 203.7 | 213.1 | 265.2 | 232.9 |
| Conventional natural gas (MMcf/d) | 50.2 | 54.4 | 46.4 | 44.2 | 55.4 | 61.9 | 62.1 | 63.5 | 59.8 | 49.9 | 61.8 |
| Natural gas (MMcf/d) | 318.7 | 326.2 | 323.1 | 290.2 | 320.6 | 321.9 | 315.9 | 267.2 | 272.9 | 315.1 | 294.7 |
| Condensate (Bbl/d) | 38,332 | 37,522 | 35,984 | 32,341 | 34,706 | 34,616 | 35,747 | 25,374 | 29,064 | 35,148 | 31,228 |
| Other NGLs (Bbl/d) | 6,954 | 6,698 | 6,627 | 5,648 | 5,916 | 6,143 | 6,144 | 5,021 | 5,276 | 6,226 | 5,650 |
| NGLs (Bbl/d) | 45,286 | 44,220 | 42,611 | 37,989 | 40,622 | 40,759 | 41,891 | 30,395 | 34,340 | 41,374 | 36,878 |
| Light and medium crude oil (Bbl/d) | 1,595 | 1,636 | 1,154 | 942 | 2,151 | 2,335 | 2,608 | 1,974 | 1,874 | 1,469 | 2,200 |
| Tight oil (Bbl/d) | 592 | 699 | 627 | 538 | 599 | 629 | 449 | 402 | 437 | 616 | 480 |
| Heavy crude oil (Bbl/d) | 389 | 433 | 396 | 409 | 460 | – | – | – | – | 424 | – |
| Crude oil (Bbl/d) | 2,576 | 2,768 | 2,177 | 1,889 | 3,210 | 2,964 | 3,057 | 2,376 | 2,311 | 2,509 | 2,680 |
| Total (Boe/d) | 100,977 | 101,348 | 98,644 | 88,243 | 97,269 | 97,370 | 97,601 | 77,312 | 82,137 | 96,393 | 88,672 |

SALES VOLUMES – BY REGION BY PRODUCT TYPE

| GRANDE PRAIRIE REGION | | | | | | | | | | | |
|------------------------------------|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Shale gas (MMcf/d) | 201.6 | 214.1 | 222.8 | 196.1 | 204.0 | 188.4 | 188.2 | 138.8 | 151.4 | 209.3 | 166.9 |
| Conventional natural gas (MMcf/d) | 0.2 | 0.3 | 0.4 | 0.3 | 0.4 | 1.5 | 1.4 | 1.0 | 1.1 | 0.4 | 1.3 |
| Natural gas (MMcf/d) | 201.8 | 214.4 | 223.2 | 196.4 | 204.4 | 189.9 | 189.6 | 139.8 | 152.5 | 209.7 | 168.2 |
| Condensate (Bbl/d) | 29,061 | 32,155 | 32,145 | 30,046 | 31,367 | 29,146 | 30,610 | 22,511 | 26,042 | 31,433 | 27,095 |
| Other NGLs (Bbl/d) | 4,334 | 4,742 | 4,815 | 4,012 | 4,074 | 3,631 | 3,758 | 2,914 | 3,267 | 4,414 | 3,394 |
| NGLs (Bbl/d) | 33,395 | 36,897 | 36,960 | 34,058 | 35,441 | 32,777 | 34,368 | 25,425 | 29,309 | 35,847 | 30,489 |
| Light and medium crude oil (Bbl/d) | – | – | – | – | – | – | 5 | 5 | 6 | – | 4 |
| Tight oil (Bbl/d) | 141 | 227 | 220 | 159 | – | – | – | – | – | 152 | – |
| Crude oil (Bbl/d) | 141 | 227 | 220 | 159 | – | – | 5 | 5 | 6 | 152 | 4 |
| Total (Boe/d) | 67,163 | 72,860 | 74,381 | 66,950 | 69,507 | 64,434 | 65,981 | 48,736 | 54,737 | 70,943 | 58,519 |

| KAYBOB REGION | | | | | | | | | | | |
|------------------------------------|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Shale gas (MMcf/d) | 30.6 | 30.2 | 28.0 | 21.7 | 31.8 | 41.9 | 38.5 | 37.9 | 35.7 | 28.2 | 38.5 |
| Conventional natural gas (MMcf/d) | 47.7 | 49.6 | 41.7 | 38.4 | 49.6 | 55.0 | 54.8 | 56.7 | 53.6 | 44.6 | 55.0 |
| Natural gas (MMcf/d) | 78.3 | 79.8 | 69.7 | 60.1 | 81.4 | 96.9 | 93.3 | 94.6 | 89.3 | 72.8 | 93.5 |
| Condensate (Bbl/d) | 6,038 | 4,003 | 2,981 | 1,301 | 2,315 | 4,354 | 4,157 | 2,092 | 2,130 | 2,655 | 3,192 |
| Other NGLs (Bbl/d) | 1,480 | 1,209 | 1,188 | 891 | 988 | 1,671 | 1,666 | 1,585 | 1,558 | 1,070 | 1,620 |
| NGLs (Bbl/d) | 7,518 | 5,212 | 4,169 | 2,192 | 3,303 | 6,025 | 5,823 | 3,677 | 3,688 | 3,725 | 4,812 |
| Light and medium crude oil (Bbl/d) | 1,573 | 1,602 | 1,131 | 914 | 2,121 | 2,045 | 2,434 | 1,946 | 1,832 | 1,440 | 2,066 |
| Tight oil (Bbl/d) | 212 | 205 | 104 | 115 | 206 | 262 | 208 | 253 | 322 | 158 | 261 |
| Crude oil (Bbl/d) | 1,785 | 1,807 | 1,235 | 1,029 | 2,327 | 2,307 | 2,642 | 2,199 | 2,154 | 1,598 | 2,327 |
| Total (Boe/d) | 22,353 | 20,324 | 17,027 | 13,238 | 19,201 | 24,477 | 24,021 | 21,642 | 20,726 | 17,449 | 22,730 |

| | 2024 | 2023 | | | | 2022 | | | | Annual | |
|------------------------------------|---------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-------|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | 2023 | 2022 |
| CENTRAL ALBERTA AND REGION | | | | | | | | | | | |
| Shale gas (MMcf/d) | 36.3 | 27.5 | 25.9 | 28.2 | 29.4 | 29.7 | 27.1 | 27.0 | 26.0 | 27.7 | 27.5 |
| Conventional natural gas (MMcf/d) | 2.3 | 4.5 | 4.3 | 5.5 | 5.4 | 5.4 | 5.9 | 5.8 | 5.1 | 4.9 | 5.5 |
| Natural gas (MMcf/d) | 38.6 | 32.0 | 30.2 | 33.7 | 34.8 | 35.1 | 33.0 | 32.8 | 31.1 | 32.6 | 33.0 |
| Condensate (Bbl/d) | 3,233 | 1,364 | 858 | 994 | 1,024 | 1,116 | 980 | 771 | 892 | 1,060 | 941 |
| Other NGLs (Bbl/d) | 1,140 | 747 | 624 | 745 | 854 | 841 | 720 | 522 | 451 | 742 | 636 |
| NGLs (Bbl/d) | 4,373 | 2,111 | 1,482 | 1,739 | 1,878 | 1,957 | 1,700 | 1,293 | 1,343 | 1,802 | 1,577 |
| Light and medium crude oil (Bbl/d) | 22 | 34 | 23 | 28 | 30 | 290 | 169 | 23 | 36 | 29 | 130 |
| Tight oil (Bbl/d) | 239 | 267 | 303 | 264 | 393 | 367 | 241 | 149 | 115 | 306 | 219 |
| Heavy crude oil (Bbl/d) | 389 | 433 | 396 | 409 | 460 | – | – | – | – | 424 | – |
| Crude oil (Bbl/d) | 650 | 734 | 722 | 701 | 883 | 657 | 410 | 172 | 151 | 759 | 349 |
| Total (Boe/d) | 11,461 | 8,164 | 7,236 | 8,055 | 8,561 | 8,459 | 7,599 | 6,934 | 6,674 | 8,001 | 7,423 |

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 three months ended March 31, 2024 and 2023 is provided in this MD&A under "Operating Results – Netback".

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 15 in the Interim Financial Statements for a description of the composition and use of these measures. Refer also to the "Liquidity and Capital Resources" section 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 three months ended March 31, 2024 and 2023 is provided in this MD&A under "Consolidated 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 three months ended March 31, 2024 and 2023 is provided in this MD&A under "Consolidated Results – Free Cash Flow".

A calculation of net (cash) debt as at March 31, 2024 and December 31, 2023 is provided in this MD&A under the "Liquidity and Capital Resources" section. At March 31, 2024, Paramount's net debt to adjusted funds flow (determined on a trailing four quarter basis) was 0.1x (December 31, 2023 – 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; 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 | | Natural Gas | |
|----------------|-----------------------------------|-------------|---|
| Bbl | Barrels | Mcf | Thousands of cubic feet |
| Bbl/d | Barrels per day | MMcf/d | Millions of cubic feet per day |
| NGLs | Natural gas liquids | GJ | Gigajoules |
| Condensate | Pentane and heavier hydrocarbons | GJ/d | Gigajoules per day |
| WTI | West Texas Intermediate | 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 |
| Oil Equivalent | | | |
| Boe | Barrels of oil equivalent | | |
| Boe/d | Barrels of oil equivalent per day | | |

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 three months ended March 31, 2024, the value ratio between crude oil and natural gas was approximately 49:1. 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 Company's 2024 guidance and, for illustrative comparison, two alternative pricing scenarios for the final three quarters of 2024:

| | 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 | \$205 million | \$135 million | \$65 million |

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



**Interim Condensed Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2024**

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(\$ millions)

| As at | Note | March 31 2024 | December 31 2023 |
|---|------|------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 14 | 57.1 | 48.9 |
| Accounts receivable | | 164.1 | 155.8 |
| Risk management – current | 11 | – | 9.9 |
| Prepaid expenses and other | | 13.3 | 9.0 |
| | | 234.5 | 223.6 |
| Investments in securities | 4 | 568.6 | 540.9 |
| Exploration and evaluation | 2 | 527.7 | 546.6 |
| Property, plant and equipment, net | 3 | 2,951.7 | 2,874.1 |
| Deferred income tax | | 176.4 | 203.5 |
| | | 4,458.9 | 4,388.7 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 302.1 | 272.5 |
| Risk management – current | 11 | 2.1 | – |
| Asset retirement obligations and other – current | 6 | 43.8 | 40.5 |
| | | 348.0 | 313.0 |
| Risk management – long-term | 11 | 1.6 | 0.5 |
| Asset retirement obligations and other – long-term | 6 | 557.1 | 576.0 |
| | | 906.7 | 889.5 |
| Commitments and contingencies | 16 | | |
| Shareholders' equity | | | |
| Share capital | 7 | 2,312.9 | 2,302.0 |
| Retained earnings | | 646.3 | 632.4 |
| Reserves | 8 | 593.0 | 564.8 |
| | | 3,552.2 | 3,499.2 |
| | | 4,458.9 | 4,388.7 |

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(\$ millions, except as noted)

| Three months ended March 31 | Note | 2024 | 2023 |
|--|------|---------------|--------------|
| Petroleum and natural gas sales | | 452.3 | 489.7 |
| Royalties | | (61.8) | (69.1) |
| Sales of commodities purchased | | 54.7 | 115.1 |
| Revenue | 12 | 445.2 | 535.7 |
| Loss on risk management contracts | 11 | (11.4) | (1.9) |
| | | 433.8 | 533.8 |
| Expenses | | | |
| Operating expense | | 118.9 | 108.8 |
| Transportation and NGLs processing | | 31.9 | 36.3 |
| Commodities purchased | | 53.4 | 114.3 |
| General and administrative | | 14.4 | 15.0 |
| Share-based compensation | 9 | 7.4 | 6.9 |
| Depletion and depreciation | 3 | 114.8 | 101.5 |
| Exploration and evaluation | 2 | 4.7 | 2.8 |
| Gain on sale of oil and gas assets | 3 | (15.6) | (121.1) |
| Interest and financing | | 1.6 | 1.5 |
| Accretion of asset retirement obligations | 6 | 10.5 | 10.7 |
| Other | 13 | (0.4) | 0.4 |
| | | 341.6 | 277.1 |
| Income before tax | | 92.2 | 256.7 |
| Income tax expense | | | |
| Deferred | 10 | 24.1 | 59.7 |
| | | 24.1 | 59.7 |
| Net income | | 68.1 | 197.0 |
| Other comprehensive income (loss), net of tax | 8 | | |
| <i>Items that will be reclassified to net income</i> | | | |
| Change in fair value of cash flow hedges, net of tax | | (1.2) | (2.0) |
| Reclassification to net income, net of tax | | (0.5) | (1.3) |
| <i>Items that will not be reclassified to net income</i> | | | |
| Change in fair value of securities, net of tax | 4 | 28.4 | (52.1) |
| Comprehensive income | | 94.8 | 141.6 |
| Net income per common share (\$/share) | 7 | | |
| Basic | | 0.47 | 1.39 |
| Diluted | | 0.46 | 1.33 |

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(\$ millions)

| Three months ended March 31 | Note | 2024 | 2023 |
|---|------|-------------|-------------|
| Operating activities | | | |
| Net income | | 68.1 | 197.0 |
| Add (deduct): | | | |
| Items not involving cash | 14 | 153.3 | 66.2 |
| Asset retirement obligations settled | 6 | (16.5) | (21.8) |
| Change in non-cash working capital | | (3.6) | 30.0 |
| Cash from operating activities | | 201.3 | 271.4 |
| Financing activities | | | |
| Net repayment of revolving long-term debt | 5 | – | (161.8) |
| Lease liabilities – principal repayments | 6 | (1.1) | (1.6) |
| Dividends | 7 | (54.1) | (196.5) |
| Common Shares issued, net of issue costs | 7 | 8.1 | 3.0 |
| RSU plan | 9 | (0.4) | (0.8) |
| Cash used in financing activities | | (47.5) | (357.7) |
| Investing activities | | | |
| Capital expenditures | 2,3 | (213.9) | (184.1) |
| Land and property acquisitions | 2,3 | (0.6) | (26.6) |
| Proceeds of disposition | 3,4 | 52.2 | 371.1 |
| Change in non-cash working capital | | 16.4 | 5.5 |
| Cash (used in) from investing activities | | (145.9) | 165.9 |
| Net increase | | 7.9 | 79.6 |
| Foreign exchange on cash and cash equivalents | | 0.3 | (0.2) |
| Cash and cash equivalents, beginning of period | | 48.9 | 2.5 |
| Cash and cash equivalents, end of period | | 57.1 | 81.9 |

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

Supplemental cash flow information

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

(\$ millions, except as noted)

| Three months ended March 31 | Note | 2024 | | 2023 | |
|--|------|----------------------|----------------|----------------------|----------------|
| | | Shares (millions) | | Shares (millions) | |
| Share capital | | | | | |
| Balance, beginning of period | | 144.2 | 2,302.0 | 142.0 | 2,267.1 |
| Issued on exercise of Paramount Options | 7,9 | 1.0 | 10.8 | 0.4 | 3.9 |
| Change in Common Shares for RSU plan | 9 | – | 0.1 | – | 1.0 |
| Balance, end of period | | 145.2 | 2,312.9 | 142.4 | 2,272.0 |
| Retained earnings | | | | | |
| Balance, beginning of period | | | 632.4 | | 517.6 |
| Net income | | | 68.1 | | 197.0 |
| Dividends | 7 | | (54.1) | | (196.5) |
| Reclassification of accumulated loss on securities | 4 | | (0.1) | | – |
| Balance, end of period | | | 646.3 | | 518.1 |
| Reserves | | | | | |
| Balance, beginning of period | 8 | | 564.8 | | 593.4 |
| Other comprehensive income (loss) | | | 26.7 | | (55.4) |
| Contributed surplus | | | 1.4 | | 0.8 |
| Reclassification of accumulated loss on securities | 4 | | 0.1 | | – |
| Balance, end of period | | | 593.0 | | 538.8 |
| Shareholders' equity | | | 3,552.2 | | 3,328.9 |

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

1. Basis of Presentation

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, Cavalier Energy Inc. and MGM Energy. 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. Intercompany balances and transactions have been eliminated.

These unaudited interim condensed consolidated financial statements of the Company, as at and for the three months ended March 31, 2024 (the "Interim Financial Statements"), were authorized for issuance by the Audit Committee of Paramount's Board of Directors on May 1, 2024.

These Interim Financial Statements have been prepared in accordance with *IAS 34 – Interim Financial Reporting* on a basis consistent with the accounting, estimation and valuation policies described in the Company's audited consolidated financial statements as at and for the year ended December 31, 2023 (the "Annual Financial Statements").

These Interim Financial Statements are stated in millions of Canadian dollars, unless otherwise noted, and have been prepared on a historical cost basis, except for certain financial instruments which are stated at fair value. Certain information and disclosures normally required to be included in the notes to the Annual Financial Statements have been condensed or omitted. These Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

2. Exploration and Evaluation

| | Three months ended March 31, 2024 | Twelve months ended December 31, 2023 |
|--|--------------------------------------|--|
| Balance, beginning of period | 546.6 | 485.7 |
| Additions | 0.1 | 0.4 |
| Acquisitions | 0.7 | 66.2 |
| Change in asset retirement provision | 0.2 | 1.5 |
| Transfers to property, plant and equipment | (7.2) | (2.2) |
| Expired lease costs | – | (3.3) |
| Dispositions | (12.7) | (1.7) |
| Balance, end of period | 527.7 | 546.6 |

Exploration and Evaluation Expense

| Three months ended March 31 | 2024 | 2023 |
|------------------------------------|------------|------------|
| Geological and geophysical expense | 4.7 | 2.5 |
| Expired lease costs | – | 0.3 |
| | 4.7 | 2.8 |

At March 31, 2024, the Company assessed its exploration and evaluation assets for indicators of potential impairment or impairment reversal and none were identified.

3. Property, Plant and Equipment

| Three months ended March 31, 2024 | Petroleum and natural gas assets | Drilling rigs | Right-of-use assets | Other | Total |
|--|--|------------------|------------------------|---------------|------------------|
| Cost | | | | | |
| Balance, beginning of period | 5,412.3 | 175.8 | 29.7 | 57.4 | 5,675.2 |
| Additions | 207.5 | 4.1 | 1.4 | 4.5 | 217.5 |
| Transfers | 7.2 | – | – | – | 7.2 |
| Dispositions | (97.5) | – | (0.7) | – | (98.2) |
| Derecognition | – | – | (1.2) | – | (1.2) |
| Change in asset retirement provision | 2.1 | – | – | – | 2.1 |
| Cost, end of period | 5,531.6 | 179.9 | 29.2 | 61.9 | 5,802.6 |
| Accumulated depletion and depreciation | | | | | |
| Balance, beginning of period | (2,664.2) | (96.9) | (8.9) | (31.1) | (2,801.1) |
| Depletion and depreciation | (108.1) | (2.9) | (1.2) | (1.3) | (113.5) |
| Dispositions | 61.8 | – | 0.7 | – | 62.5 |
| Derecognition | – | – | 1.2 | – | 1.2 |
| Accumulated depletion and depreciation, end of period | (2,710.5) | (99.8) | (8.2) | (32.4) | (2,850.9) |
| Net book value, December 31, 2023 | 2,748.1 | 78.9 | 20.8 | 26.3 | 2,874.1 |
| Net book value, March 31, 2024 | 2,821.1 | 80.1 | 21.0 | 29.5 | 2,951.7 |

In February 2024, Paramount sold certain non-core assets in its Kaybob cash-generating unit ("CGU") for cash proceeds of \$46.4 million while retaining a 2% no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets. A gain of \$15.3 million was recognized on the sale.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

In January 2023, the Company sold its Kaybob Smoky and Kaybob South Duvernay properties and certain other minor interests in its Kaybob CGU. 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.

Depletion and Depreciation

| Three months ended March 31 | 2024 | 2023 |
|--|-------|-------|
| Depletion and depreciation | 111.3 | 97.1 |
| Change in asset retirement obligations | 3.5 | 4.4 |
| | 114.8 | 101.5 |

For the three months ended March 31, 2024, the Company recorded a charge of \$3.5 million (March 31, 2023 – \$4.4 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 resulted from revisions to the estimated costs.

At March 31, 2024, the Company assessed its property, plant and equipment assets for indicators of potential impairment and none were identified.

4. Investments in Securities

| As at | March 31, 2024 | December 31, 2023 |
|------------------------|----------------|-------------------|
| Level One Securities | 449.8 | 422.0 |
| Level Three Securities | 118.8 | 118.9 |
| | 568.6 | 540.9 |

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 fair value hierarchy securities ("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 fair value hierarchy securities ("Level Three Securities"). Estimates of fair values for these investments are based on valuation techniques that incorporate unobservable inputs.

Level One Securities at March 31, 2024 included 37.3 million common shares of NuVista Energy Ltd. ("NuVista Shares") (December 31, 2023 – 37.3 million NuVista Shares), which had a carrying value of \$442.6 million (December 31, 2023 – \$411.3 million). In April 2024, Paramount sold 6.0 million NuVista Shares for net cash proceeds of \$74.8 million. Immediately following the sale, Paramount held 31.3 million NuVista Shares, representing approximately 15% of the outstanding NuVista Shares.

Level Three Securities at March 31, 2024 and December 31, 2023 included investments in the shares of Sultran Ltd. and Westbrick Energy Ltd.

The Company recorded an unrealized gain of \$32.0 million, before tax, to other comprehensive income ("OCI") for the three months ended March 31, 2024 related to changes in the fair value estimates of its investments in securities.

In the first quarter of 2024, Paramount sold a portion of its Level One Securities for aggregate cash proceeds of \$4.2 million, resulting in \$0.1 million of accumulated net losses, net of tax, being reclassified from reserves to retained earnings.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

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

| | Three months ended March 31, 2024 | Twelve months ended December 31, 2023 |
|--|--------------------------------------|--|
| Investments in securities, beginning of period | 540.9 | 557.1 |
| Changes in fair value of Level One Securities | 32.0 | (56.6) |
| Changes in fair value of Level Three Securities | – | 39.5 |
| Changes in fair value of warrants – recorded in earnings | (0.1) | (0.5) |
| Acquired | – | 1.4 |
| Proceeds of dispositions | (4.2) | – |
| Investments in securities, end of period | 568.6 | 540.9 |

5. Long-Term Debt

| As at | March 31, 2024 | December 31, 2023 |
|--------------------|----------------|-------------------|
| Paramount Facility | – | – |

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.

Paramount was in compliance with the financial covenants under the Paramount Facility at March 31, 2024.

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling \$3.1 million at March 31, 2024 (December 31, 2023 – \$3.1 million) that reduce the amount available to be drawn on the facility.

For additional information concerning the Paramount Facility, refer to Note 8 of the Annual 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 March 31, 2024, \$30.1 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2023 – \$30.1 million).

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

6. Asset Retirement Obligations and Other

| As at March 31, 2024 | Current | Long-term | Total |
|---|-------------|--------------|--------------|
| Asset retirement obligations | 40.6 | 530.6 | 571.2 |
| Lease liabilities | 3.2 | 26.5 | 29.7 |
| Asset retirement obligations and other | 43.8 | 557.1 | 600.9 |

| 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 |

Asset Retirement Obligations

| | Three months ended March 31, 2024 | Twelve months ended December 31, 2023 |
|--|--------------------------------------|--|
| Asset retirement obligations, beginning of period | 587.3 | 540.1 |
| Additions | 0.2 | 5.9 |
| Change in estimates | 5.6 | 10.5 |
| Change in discount rate | – | 42.8 |
| Obligations settled | (16.5) | (54.6) |
| Dispositions | (15.9) | (0.6) |
| Accretion expense | 10.5 | 43.2 |
| Asset retirement obligations, end of period | 571.2 | 587.3 |

As at March 31, 2024, estimated undiscounted, uninflated asset retirement obligations were \$1,251.5 million (December 31, 2023 – \$1,295.4 million). Asset retirement obligations have been determined using a credit-adjusted risk-free discount rate of 7.75 percent per annum (December 31, 2023 – 7.75 percent per annum) and an inflation rate of 2.0 percent per annum (December 31, 2023 – 2.0 percent per annum).

Lease Liabilities

| | Three months ended March 31, 2024 | Twelve months ended December 31, 2023 |
|-------------------------------|--------------------------------------|--|
| Balance, beginning of period | 29.2 | 18.0 |
| Additions | 1.4 | 14.7 |
| Interest expense | 0.5 | 1.5 |
| Obligations settled | (1.4) | (5.0) |
| Balance, end of period | 29.7 | 29.2 |

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 three months ended March 31, 2024, total cash principal payments made in respect of these lease liabilities were \$1.1 million (March 31, 2023 – \$1.6 million).

For the three months ended March 31, 2024, 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 \$0.7 million (March 31, 2023 – \$0.7 million).

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

7. Share Capital

At March 31, 2024, 145.2 million (December 31, 2023 – 144.2 million) class A common shares of Paramount ("Common Shares") were outstanding, net of 0.4 million (December 31, 2023 – 0.4 million) Common Shares held in trust under the Company's restricted share unit ("RSU") plan.

For the three months ended March 31, 2024, the Company paid total cash dividends of \$0.375 per Common Share or \$54.1 million (March 31, 2023 – \$1.375 per Common Share or \$196.5 million comprised of a special dividend of \$1.00 per Common Share or \$142.9 million and regular monthly dividends totaling \$0.375 per Common Share or \$53.6 million). On April 30, 2024, the Company paid a regular monthly dividend of \$18.2 million, or \$0.125 per Common Share.

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.

For the three months ended March 31, 2024, Paramount issued 1.0 million Common Shares on the exercise of options to acquire Common Shares ("Paramount Options") (see Note 9).

Net Income Per Common Share – Basic and Diluted

| Three months ended March 31 | 2024 | 2023 |
|---|-------|-------|
| Net income – basic and diluted | 68.1 | 197.0 |
| Basic – weighted average Common Shares (millions) | 144.6 | 142.2 |
| Dilutive effect of Paramount Options (millions) | 4.2 | 5.6 |
| Diluted – weighted average Common Shares (millions) | 148.8 | 147.8 |
| Net income per Common Share – basic (\$/share) | 0.47 | 1.39 |
| Net income per Common Share – diluted (\$/share) | 0.46 | 1.33 |

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 three months ended March 31, 2024, 4.8 million Paramount Options were anti-dilutive (March 31, 2023 – 2.6 million).

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

8. Reserves

| Three months ended March 31, 2024 | Unrealized gains (losses) on cash flow hedges | Unrealized gains (losses) on securities | Contributed surplus | Total reserves |
|--|--|---|------------------------|-------------------|
| Balance, beginning of period | 0.8 | 384.4 | 179.6 | 564.8 |
| Other comprehensive income (loss), before tax | (2.2) | 32.0 | – | 29.8 |
| Deferred tax | 0.5 | (3.6) | – | (3.1) |
| Reclassification of accumulated loss on securities (see Note 4) | – | 0.1 | – | 0.1 |
| Share-based compensation (see Note 9) | – | – | 4.0 | 4.0 |
| Paramount Options exercised | – | – | (2.6) | (2.6) |
| Balance, end of period | (0.9) | 412.9 | 181.0 | 593.0 |

9. Share-Based Compensation

Paramount Options

| | Three months ended March 31, 2024 | | Twelve months ended December 31, 2023 | |
|---|--------------------------------------|--|--|--|
| | Paramount Options (millions) | Weighted average exercise price (\$/share) | Paramount Options (millions) | Weighted average exercise price (\$/share) |
| Balance, beginning of period | 11.8 | 17.11 | 11.3 | 13.55 |
| Granted | – | – | 2.6 | 27.09 |
| Exercised ⁽¹⁾ | (1.0) | 7.88 | (1.8) | 9.14 |
| Cancelled or forfeited | (0.1) | 23.10 | (0.3) | 16.04 |
| Expired | (0.1) | 29.11 | – | – |
| Balance, end of period | 10.6 | 17.96 | 11.8 | 17.11 |
| Options exercisable, end of period | 2.9 | 11.67 | 4.0 | 10.72 |

(1) For Paramount Options exercised during the three months ended March 31, 2024, the weighted average market price of Common Shares on the dates exercised was \$27.05 per share (twelve months ended December 31, 2023 – \$31.18 per share).

RSU Plan – Shares Held in Trust

| | Three months ended March 31, 2024 | | Twelve months ended December 31, 2023 | |
|--|--------------------------------------|----------------------|--|----------------------|
| | Shares (millions) | Shares (millions) | Shares (millions) | Shares (millions) |
| Balance, beginning of period | 0.4 | 3.4 | 0.8 | 16.2 |
| Net change in vested and unvested shares | – | (0.1) | (0.4) | (12.8) |
| Balance, end of period | 0.4 | 3.3 | 0.4 | 3.4 |

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

10. Income Tax

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

| Three months ended March 31 | 2024 | 2023 |
|-------------------------------------|-------------|-------------|
| Income before tax | 92.2 | 256.7 |
| Effective statutory income tax rate | 23.0% | 23.0% |
| Expected income tax expense | 21.2 | 59.0 |
| Effect of: | | |
| Share-based compensation | 0.6 | 0.6 |
| Non-deductible items and other | 2.3 | 0.1 |
| Income tax expense | 24.1 | 59.7 |

11. Financial Instruments and Risk Management

Financial Instruments

Financial instruments at March 31, 2024 consist of cash and cash equivalents, accounts receivable, investments in securities, accounts payable and risk management liabilities. 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.

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 three months ended March 31, 2024 are as follows:

| | Financial commodity contracts | Foreign currency exchange contracts | Electricity swaps | Total |
|---|-------------------------------------|--|----------------------|--------------|
| Three months ended March 31, 2024 | | | | |
| Fair value of asset, December 31, 2023 | – | 8.4 | 1.0 | 9.4 |
| Changes in fair value – profit or loss ⁽¹⁾ | (0.9) | (10.5) | – | (11.4) |
| Changes in fair value – OCI | – | – | (1.5) | (1.5) |
| Risk management contract settlements paid (received) ⁽²⁾ | – | 0.5 | (0.7) | (0.2) |
| Fair value of liability, March 31, 2024 | (0.9) | (1.6) | (1.2) | (3.7) |
| Risk management liability – current | (0.4) | (1.6) | (0.1) | (2.1) |
| Risk management liability – long-term | (0.5) | – | (1.1) | (1.6) |
| Risk management liability, March 31, 2024 | (0.9) | (1.6) | (1.2) | (3.7) |

(1) Changes in fair value of (\$11.4) million related to financial commodity and foreign currency exchange contracts are recorded as loss on risk management contracts.

(2) Payments by the Company on risk management contract settlements related to foreign currency exchange contracts totaled \$0.5 million. Risk management contract settlements relating to electricity swap contracts are recorded in operating expense.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

The Company had the following risk management contracts as at March 31, 2024:

| Instruments | Aggregate amount / notional | Average price or rate | Remaining term |
|---|-----------------------------|-----------------------|------------------------------|
| Financial Commodity Contracts – Oil ⁽¹⁾ | | | |
| MSW WTI Differential Swap (Sale) | 5,000 Bbl/d | WTI – US\$2.56/Bbl | May 2024 – December 2024 |
| Foreign Currency Exchange Contracts | | | |
| Swaps (Sale) | US\$30 million / month | 1.3433 CAD\$/US\$1.00 | April 2024 – June 2024 |
| Swaps (Sale) | US\$30 million / month | 1.3462 CAD\$/US\$1.00 | July 2024 – December 2024 |
| Electricity Contracts ⁽²⁾ | | | |
| Swaps (Buy) | 240 MWh/d | \$66.13/MWh | April 2024 – December 2024 |
| Swaps (Buy) | 240 MWh/d | \$71.13/MWh | January 2025 – December 2025 |

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

(2) Reference electricity rate: 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 March 31, 2024.

Subsequent to March 31, 2024, the Company entered into the following financial commodity contracts:

| Instruments | Aggregate amount / notional | Average price or rate | Remaining term |
|---|-----------------------------|-----------------------|----------------------------|
| Oil – NYMEX WTI Swaps (Sale) ⁽¹⁾ | 14,250 Bbl/d | CAD\$111.67/Bbl | April 2024 – December 2024 |

(1) "NYMEX" means New York Mercantile Exchange and "WTI" means West Texas Intermediate.

Any embedded derivatives are separated from the host contract and accounted for as a derivative when a separate item with the same terms would meet the definition of a derivative, the economic characteristics and risks of the embedded derivative are not closely related to the host contract, and the combined instrument is not measured at fair value with changes recognized in net earnings.

12. Revenue By Product

| Three months ended March 31 | 2024 | 2023 |
|----------------------------------|--------|--------|
| Natural gas | 82.4 | 122.0 |
| Condensate and oil | 344.8 | 343.5 |
| Other natural gas liquids | 23.9 | 23.4 |
| Royalty income and other revenue | 1.2 | 0.8 |
| Royalties | (61.8) | (69.1) |
| Sales of commodities purchased | 54.7 | 115.1 |
| | 445.2 | 535.7 |

13. Other

| Three months ended March 31 | 2024 | 2023 |
|-----------------------------|-------|-------|
| Provisions | (0.5) | 2.5 |
| Other | 0.1 | (2.1) |
| | (0.4) | 0.4 |

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

14. Consolidated Statement of Cash Flows – Selected Information

Items Not Involving Cash

| Three months ended March 31 | 2024 | 2023 |
|---|--------|---------|
| Risk management contracts | 10.9 | 8.0 |
| Share-based compensation | 7.4 | 6.9 |
| Depletion and depreciation | 114.8 | 101.5 |
| Exploration and evaluation | – | 0.3 |
| Gain on sale of oil and gas assets | (15.6) | (121.1) |
| Accretion of asset retirement obligations | 10.5 | 10.7 |
| Deferred income tax | 24.1 | 59.7 |
| Other | 1.2 | 0.2 |
| | 153.3 | 66.2 |

Supplemental Cash Flow Information

| Three months ended March 31 | 2024 | 2023 |
|-----------------------------|------|------|
| Interest paid | 0.5 | 0.2 |
| Interest received | 0.4 | 1.6 |

Components of Cash and Cash Equivalents

| As at | March 31, 2024 | December 31, 2023 |
|------------------|----------------|-------------------|
| Cash | 57.1 | 48.9 |
| Cash equivalents | – | – |
| | 57.1 | 48.9 |

15. 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

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

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 calculation of net (cash) debt is as follows:

| As at | March 31, 2024 | December 31, 2023 |
|--|----------------|-------------------|
| Cash and cash equivalents | (57.1) | (48.9) |
| Accounts receivable ⁽¹⁾ | (163.3) | (155.0) |
| Prepaid expenses and other | (13.3) | (9.0) |
| Accounts payable and accrued liabilities | 302.1 | 272.5 |
| Long-term debt | – | – |
| Net (cash) debt | 68.4 | 59.6 |

(1) Excludes accounts receivable relating to lease incentives (March 31, 2024 – \$0.8 million, December 31, 2023 – \$0.8 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.

The calculation of adjusted funds flow is as follows:

| Three months ended March 31 | 2024 | 2023 |
|---------------------------------------|--------------|--------|
| Cash from operating activities | 201.3 | 271.4 |
| Change in non-cash working capital | 3.6 | (30.0) |
| Geological and geophysical expense | 4.7 | 2.5 |
| Asset retirement obligations settled | 16.5 | 21.8 |
| Closure costs | – | – |
| Provisions | (0.5) | 2.5 |
| Settlements | – | – |
| Transaction and reorganization costs | – | – |
| Adjusted funds flow | 225.6 | 268.2 |

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.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

| As at | March 31, 2024 | December 31, 2023 |
|--|----------------|-------------------|
| Net (cash) debt | 68.4 | 59.6 |
| Adjusted funds flow, trailing four quarters | 922.6 | 965.3 |
| Net debt to adjusted funds flow ratio | 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:

| Three months ended March 31 | 2024 | 2023 |
|---------------------------------------|--------------|---------|
| Cash from operating activities | 201.3 | 271.4 |
| Change in non-cash working capital | 3.6 | (30.0) |
| Geological and geophysical expense | 4.7 | 2.5 |
| Asset retirement obligations settled | 16.5 | 21.8 |
| Closure costs | – | – |
| Provisions | (0.5) | 2.5 |
| Settlements | – | – |
| Transaction and reorganization costs | – | – |
| Adjusted funds flow | 225.6 | 268.2 |
| Capital expenditures | (213.9) | (184.1) |
| Geological and geophysical expense | (4.7) | (2.5) |
| Asset retirement obligations settled | (16.5) | (21.8) |
| Free cash flow | (9.5) | 59.8 |

16. Commitments and Contingencies

Commitments – Physical Sales Contracts

The Company had the following basis differential physical sales contracts at March 31, 2024:

| | Volume | Location | Average price | Remaining term |
|-------------|----------------|----------|---------------------------------------|---------------------------|
| Natural gas | 40,000 MMBtu/d | AECO | NYMEX – US\$0.93/MMBtu ⁽¹⁾ | April 2024 – October 2024 |

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

During the three months ended March 31, 2024, Paramount entered into an agreement to deliver between 250 Bbl/d and 1,000 Bbl/d of propane over five years at a delivery point in Alberta beginning February 2024. The price to be received is based on the Argus Propane Monthly Far East Index less deductions for transportation, fuel and other charges.

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

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

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.

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
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Independent Businessman
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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

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RESERVES EVALUATORS

**McDaniel & Associates
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AUDITORS

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Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
("POU")