2024 Annual Results

Paramount Resources Ltd. Announces 2024 Annual Results

Calgary, Alberta – March 5, 2025

Paramount Resources Ltd. ("Paramount" or the "Company") (TSX:POU) is pleased to announce its 2024 annual financial and operating results.

RECENT EVENTS

- On January 31, 2025, Paramount closed the sale of its Karr, Wapiti and Zama properties to a wholly-owned subsidiary of Ovintiv Inc. ("Ovintiv") for cash proceeds of approximately $3.3 billion, after adjustments, plus certain Horn River Basin properties of Ovintiv (the "Grande Prairie Disposition").
- The Company used a portion of the proceeds of the Grande Prairie Disposition to pay a special cash distribution (the "Special Distribution") of $15.00 per class A common share ("Common Share") to shareholders on February 14, 2025 comprised of a return of capital of $12.00 per Common Share and a special dividend of $3.00 per Common Share.
- Paramount repurchased a total of 5.7 million Common Shares under its normal course issuer bid between late-November 2024 and early-February 2025 at a total cost of $177 million.

2024 HIGHLIGHTS

- The Company achieved record annual sales volumes of 98,490 Boe/d (48% liquids) in 2024 and record quarterly sales volumes of 102,477 Boe/d (48% liquids) in the fourth quarter. [(1)]
- Sales volumes excluding Karr and Wapiti were 31,178 Boe/d (44% liquids) in 2024 and 31,425 Boe/d (45% liquids) in the fourth quarter. Duvernay production accounted for approximately 15,000 Boe/d (64% liquids) of these sales volumes in 2024.
- Cash from operating activities was $815 million ($5.58 per basic share) in 2024 and $188 million ($1.28 per basic share) in the fourth quarter. [(2)]
- Adjusted funds flow was $930 million ($6.37 per basic share) in 2024 and $238 million ($1.62 per basic share) in the fourth quarter.

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(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.

- Capital expenditures totaled $842 million in 2024, which were largely directed to the Grande Prairie Region Montney development and the Willesden Green and Kaybob North Duvernay developments.
- Paramount drilled 58 (58.0 net) wells, brought 59 (58.4 net) wells on production and advanced the construction of the new Alhambra Plant at Willesden Green.
- Asset retirement obligation settlements totaled $38 million in 2024, which included the abandonment of 44 wells and reclamation of 119 sites.
- Free cash flow was $37 million ($0.25 per basic share) in 2024 and $53 million ($0.36 per basic share) in the fourth quarter.
- At December 31, 2024, net debt was $188 million. (1)
- The carrying value of the Company's investments in securities at December 31, 2024 was $564 million. Paramount received total cash dividends of $12 million in 2024 from these investments.
- In addition to its investment in securities, Paramount's Fox Drilling subsidiary continues to own six triple-sized drilling rigs, four of which are utilized for Company wells and two of which are under contract to a third party.

SHAREHOLDER RETURNS AND LIQUIDITY

- Since the start of 2021, Paramount has:
  - paid a total of $20.73 per Common Share ($2.97 billion) in regular monthly dividends and special distributions;
  - fully repaid its bank credit facility, reducing debt by over $800 million; and
  - continued to build material, contiguous, low-cost land positions in key resource plays, including at Willesden Green and Sinclair.
- The Company has repurchased a total of 5.7 million Common Shares under its current normal course issuer bid, representing 72% of the maximum number of shares, at an aggregate cost of $177 million.
- At February 28, 2025, the Company had approximately $830 million in cash and cash equivalents, investments in securities valued at approximately $470 million and an undrawn $500 million four-year financial covenant-based revolving bank credit facility. This provides Paramount ample liquidity to advance the development of its deep inventory of opportunities.

(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.

RESERVES

At December 31, 2024, the Company's gross reserves were as follows: (1)

	Total Company		Total Company Excluding Karr & Wapiti (2)	
	MMBoe	NPV_{10} ($MM)	MMBoe	NPV_{10} ($MM)
Proved Developed Producing ("PDP")	**167.0**	2,308	**40.5**	429
Total Proved ("TP")	**423.1**	4,678	**140.3**	1,411
Total Proved Plus Probable ("P+P")	**756.5**	7,703	**242.5**	2,462

The following table summarizes the Company's PDP, TP and P+P gross reserves at December 31, 2024, excluding the Karr and Wapiti properties:

	Gross Reserves		
	Proved Developed Producing	Total Proved	Total Proved Plus Probable
Natural gas (Bcf)	143	431	730
NGLs (MBbl)	13,944	65,694	116,854
Crude oil (MBbl)	2,673	2,727	3,889
Total (MBoe)	**40,528**	**140,329**	**242,479**
% Liquids	***41%***	***49%***	***50%***

The following table summarizes Paramount's gross proved and proved plus probable developed and undeveloped reserves, excluding the Karr and Wapiti properties, as at December 31, 2024, and the net present value of future net revenue of these reserves before income taxes, undiscounted and discounted at 10%.

	Proved			Proved plus Probable		
	Gross Reserves	Future Net Revenue NPV Before Tax ($ millions)		Gross Reserves	Future Net Revenue NPV Before Tax ($ millions)	
	(MBoe)	0%	10%	(MBoe)	0%	10%
Developed	**45,603**	(126)	441	**66,390**	311	635
Undeveloped	**94,726**	2,158	971	**176,089**	4,737	1,827
Total	**140,329**	**2,032**	**1,411**	**242,479**	**5,048**	**2,462**

(1) All reserves in this press release are gross reserves based on an evaluation prepared by McDaniel & Associates Consultants Ltd. ("McDaniel") dated March 4, 2025 and effective December 31, 2024 (the "McDaniel Report"). "NPV_{10}" refers to the before tax net present value of future net revenue of the applicable reserves, discounted at 10 percent, as estimated in the McDaniel Report. Such value does not represent fair market value. Readers are referred to the advisories concerning "Reserves Data".

(2) Total Company Excluding Karr & Wapiti has been presented to help readers assess the impact of the sale of Karr and Wapiti on the Company's December 31, 2024 reserves. Reserves associated with additional Horn River Basin properties acquired by Paramount as part of the Grande Prairie Disposition are not included.

2025 GUIDANCE

As previously announced, the Company is budgeting capital expenditures in 2025 of between $760 million and $790 million, focused mainly on its Willesden Green Duvernay and Kaybob North Duvernay developments. Capital has also been allocated to ongoing appraisal activities at Paramount's early-stage assets, including Sinclair.

As previously announced, 2025 average sales volumes are expected to be between 37,500 Boe/d and 42,500 Boe/d (48% liquids), with a 2025 year-end exit rate in excess of 45,000 Boe/d. Revised estimated January sales volumes, which included production from the assets sold pursuant to the Grande Prairie Disposition, averaged approximately 101,500 Boe/d (47% liquids). Sales volumes are anticipated to average between 28,000 Boe/d and 32,000 Boe/d in February to September, with new well activity essentially offsetting declines. With the start-up of the first phase of the new Alhambra Plant at Willesden Green, fourth quarter sales volumes are anticipated to average between 40,000 Boe/d and 45,000 Boe/d.

REVIEW OF OPERATIONS

CENTRAL ALBERTA AND OTHER REGION

The Central Alberta and Other Region includes:

- the Willesden Green Duvernay development in central Alberta;
- shale gas properties in northeast British Columbia in the Horn River Basin, where the Company holds 113,000 net acres of Muskwa rights (including 68,000 net acres acquired as part of the consideration for the Grande Prairie Disposition), and in the Liard Basin, where the Company holds 179,000 net acres of Besa River rights; and
- 1.31 million net acres of land that are prospective for cold flow heavy oil and in-situ thermal oil recovery, including 297,000 net acres with Clearwater and Bluesky cold flow heavy oil potential and 71,000 net acres with thermal oil potential at its Hoole Grand Rapids project.

Development activities in the Central Alberta and Other Region in 2024 were focused on Willesden Green, where the Company holds 263,000 net acres of contiguous Duvernay rights, operates and majority owns the Leafland Plant and is in the process of constructing the first phase of its wholly-owned and operated Alhambra Plant. The Leafland Plant has raw handling capacity of approximately 6,000 Bbl/d of liquids and 22 MMcf/d of natural gas. The Alhambra Plant will provide estimated raw handling capacity of 10,000 Bbl/d of liquids and 50 MMcf/d of natural gas upon start-up of the first phase and is designed to be capable of expansion to a total capacity of 30,000 Bbl/d of raw liquids and 150 MMcf/d of raw natural gas through the construction of two additional phases.

Capital expenditures in the Central Alberta and Other Region totaled $238 million in 2024. Development activities included the ongoing construction of the Alhambra Plant, the drilling of 10 (10.0 net) Duvernay wells and the bringing onstream of five (5.0 net) Duvernay wells, all at Willesden Green.

Central Alberta and Other Region sales volumes averaged 8,723 Boe/d (50% liquids) in 2024 compared to 8,001 Boe/d (32% liquids) in 2023. Sales volumes were higher due to production growth from new liquids-rich Duvernay wells at Willesden Green. Lower dry gas sales in northeast British Columbia due to economic shut-ins partially offset this new production.

Approximately $560 million of the Company's planned 2025 capital expenditures at the midpoint are allocated to the Willesden Green Duvernay development, with expenditures anticipated to be evenly weighted between the first and second half of the year. Approximately one third of planned expenditures are related to the buildout of facilities and infrastructure in the area, including the completion of the first phase of the Alhambra Plant, the acceleration of the second phase of the Alhambra Plant, construction of a pipeline interconnect between the Leafland Plant and the Alhambra Plant and installation of additional compression at the Leafland Plant.

Startup of the first phase of the Alhambra Plant is expected in the fourth quarter of 2025. Construction is progressing as planned with all mechanical packages received and set on piles. Engineering and procurement of equipment packages for the second phase of the Alhambra Plant have commenced. The Company anticipates start-up of the second phase in the fourth quarter of 2026.

Paramount anticipates drilling 22 (22.0 net) Duvernay wells and bringing onstream 23 (23.0 net) Duvernay wells at Willesden Green in 2025. Seven wells are expected to feed the Leafland Plant with the remaining 16 wells expected to be brought onstream through the first phase of the Alhambra Plant upon start-up.

KAYBOB REGION

The Kaybob Region, located in west-central Alberta, includes the Kaybob North Duvernay development and other natural gas and oil producing properties. The Company holds 109,000 net acres of Duvernay rights and 179,000 net acres of Montney rights in the Kaybob Region and also owns and operates extensive processing and gathering infrastructure in the region.

Capital expenditures in the Kaybob Region totaled $173 million in 2024 and were focused on the Kaybob North Duvernay development. Development activities included the drilling of 14 (14.0 net) Duvernay wells and the bringing on production of 17 (17.0 net) Duvernay wells at Kaybob North.

Kaybob Region sales volumes averaged 22,404 Boe/d (41% liquids) in 2024 compared to 17,449 Boe/d (31% liquids) in 2023. The increase in sales volumes was primarily the result of new well production from the Kaybob North Duvernay development as well as improved run times compared to 2023 when production was impacted by the Alberta wildfires.

Capital expenditures in the Kaybob Region in 2025 are expected to be approximately $135 million at the midpoint, weighted approximately 65% to the first half of the year. In 2025, the Company anticipates drilling eight (8.0 net) Duvernay wells and bringing onstream nine (9.0 net) Duvernay wells at Kaybob North.

SINCLAIR

Sinclair is an early-stage property comprised of approximately 107,000 net acres of Montney rights located west of Grande Prairie, Alberta that are prospective for high-rate gas production.

The Company has completed its first two appraisal wells at Sinclair and is currently in the process of flow testing the wells. Data obtained from the drilling and completion operations and flow tests will be analyzed to inform future development plans for the property. Paramount is planning to drill an additional two (2.0 net) Montney wells at Sinclair in the fourth quarter of 2025 to further inform its development plans. The Company has secured downstream transportation capacity that would enable the first phase of Sinclair production to commence as early as the fourth quarter of 2027.

GRANDE PRAIRIE REGION

Prior to the Grande Prairie Disposition, Paramount's primary focus in the Grande Prairie Region was its Karr and Wapiti Montney properties, located south of the city of Grande Prairie, Alberta. The Karr and Wapiti properties represented essentially all 2024 Grande Prairie Region sales volumes, which averaged

67,363 Boe/d (50% liquids). Capital expenditures in the Grande Prairie Region totaled $431 million in 2024, the vast majority of which was directed to the Karr and Wapiti properties.

LAND

Paramount's land position as at December 31, 2024 is summarized below.

(thousands of acres)	Gross (1)	Net (2)
Acreage assigned reserves	696	533
Acreage not assigned reserves	3,624	2,572
Total	4,320	3,105

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

(2) Net acres means gross acres multiplied by Paramount's working interest therein.

MARCH DIVIDEND

Paramount's Board of Directors has declared a cash dividend of $0.05 per Common Share that will be payable on March 31, 2025 to shareholders of record on March 17, 2025. The dividend will be designated as an "eligible dividend" for Canadian income tax purposes.

HEDGING & GAS MARKET DIVERSIFICATION

HEDGING

The Company's current financial commodity contracts are summarized below:

	2025	Average Price (1)
Oil		
NYMEX WTI Swaps (Sale)	10,000 Bbl/d	C$105.00/Bbl
Natural gas		
Citygate / Malin Basis Swap (2)	10,000 MMBtu/d	Citygate less US$1.03/MMBtu (Sell) Malin (Buy)

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

(2) "Citygate" refers to Pacific Gas & Electric Citygate and "Malin" refers to Pacific Gas & Electric Malin. Pursuant to the swap transaction Paramount sells at Citygate less US$1.03/MMBtu and buys at Malin. The transaction is financially settled with no physical delivery. The remaining term of this contract is Jan 2025 to Oct 2027.

GAS MARKET DIVERSIFICATION

With the natural gas market diversification contracts currently in place, approximately 70% of the Company's natural gas sales volumes following the closing of the Grande Prairie Disposition will benefit from exposure to markets outside of AECO.

ANNUAL GENERAL MEETING

Paramount will hold its annual general meeting of shareholders on Tuesday, May 13, 2025 at 10:00 a.m. (Mountain Time) in the Doulton Room at Bankers Hall Conference Centre, 400, 315 - 8th Avenue S.W., Calgary, Alberta.

COMPLETE ANNUAL RESULTS

Paramount's: (i) complete annual results, including the Company's audited consolidated financial statements as at and for the year ended December 31, 2024 (the "Consolidated Financial Statements") and the accompanying management's discussion and analysis (the "MD&A"); and (ii) 2024 annual information form, which contains additional important information concerning the Company's reserves, properties and operations, can be obtained on SEDAR+ at www.sedarplus.ca or on Paramount's website at www.paramountres.com/investors/financial-shareholder-reports.

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

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".

For further information, please contact:

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FINANCIAL AND OPERATING RESULTS [1]

($ millions, except as noted)	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
Net income	87.4	111.9	335.9	470.2
per share – basic ($/share)	0.60	0.78	2.30	3.29
per share – diluted ($/share)	0.59	0.75	2.25	3.17
Cash from operating activities	187.7	287.0	815.3	938.2
per share – basic ($/share)	1.28	1.99	5.58	6.56
per share – diluted ($/share)	1.26	1.93	5.46	6.32
Adjusted funds flow	237.8	284.1	930.3	965.3
per share – basic ($/share)	1.62	1.97	6.37	6.75
per share – diluted ($/share)	1.59	1.91	6.24	6.51
Free cash flow	52.8	59.7	37.3	168.4
per share – basic ($/share)	0.36	0.41	0.25	1.18
per share – diluted ($/share)	0.35	0.40	0.25	1.13
Total assets			4,757.5	4,388.7
Investments in securities			563.9	540.9
Long-term debt			173.0	–
Net (cash) debt			188.4	59.6
Common shares outstanding *(millions)* [2]			146.9	144.2
Sales volumes [3]				
Natural gas (MMcf/d)	317.3	326.2	306.8	315.1
Condensate and oil (Bbl/d)	42,835	40,290	40,432	37,657
Other NGLs (Bbl/d)	6,753	6,698	6,920	6,226
Total (Boe/d)	102,477	101,348	98,490	96,393
% liquids	48%	46%	48%	46%
Grande Prairie Region (Boe/d)	71,130	72,860	67,363	70,943
Kaybob Region (Boe/d)	22,441	20,324	22,404	17,449
Central Alberta & Other Region (Boe/d)	8,906	8,164	8,723	8,001
Total (Boe/d)	102,477	101,348	98,490	96,393

	Three months ended December 31				Year ended December 31			
	2024		2023		2024		2023	
Netback		*$/Boe* [4]		*$/Boe* [4]		*$/Boe* [4]		*$/Boe* [4]
Natural gas revenue	58.0	1.99	83.7	2.79	223.3	1.99	349.1	3.04
Condensate and oil revenue	379.4	96.26	363.7	98.12	1,434.9	96.96	1,364.2	99.25
Other NGLs revenue	21.3	34.32	22.2	36.00	89.6	35.37	81.9	36.06
Royalty income and other revenue [5]	0.6	–	0.9	–	12.4	–	3.3	–
Petroleum and natural gas sales	459.3	48.72	470.5	50.46	1,760.2	48.83	1,798.5	51.12
Royalties	(48.5)	(5.14)	(68.9)	(7.39)	(222.8)	(6.18)	(254.3)	(7.23)
Operating expense	(123.0)	(13.05)	(126.4)	(13.56)	(473.9)	(13.15)	(453.8)	(12.90)
Transportation and NGLs processing	(38.1)	(4.04)	(33.2)	(3.56)	(135.6)	(3.76)	(134.4)	(3.82)
Sales of commodities purchased [6]	98.7	10.46	50.2	5.38	317.3	8.80	255.1	7.25
Commodities purchased [6]	(97.7)	(10.36)	(47.4)	(5.08)	(312.0)	(8.65)	(250.2)	(7.11)
Netback	250.7	26.59	244.8	26.25	933.2	25.89	960.9	27.31
Risk management contract settlements	(1.5)	(0.16)	43.0	4.61	36.4	1.01	46.7	1.33
Netback including risk management contract settlements	249.2	26.43	287.8	30.86	969.6	26.90	1,007.6	28.64

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
Capital expenditures				
Grande Prairie Region	71.3	75.8	431.0	380.3
Kaybob Region	18.8	64.5	172.6	190.4
Central Alberta and Other Region	79.5	61.7	238.1	120.0
Fox Drilling and Cavalier Energy	1.2	3.9	8.8	29.2
Corporate [7]	–	3.0	(8.3)	12.2
Total	170.8	208.9	842.2	732.1
Asset retirement obligations settled	11.9	12.8	38.1	54.6

(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: 2024: 0.4 million, 2023: 0.4 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) Royalty income and other revenue for the year ended December 31, 2024 includes $10.0 million related to an initial payment from insurers for 2023 Alberta wildfire losses. This amount was not allocated to individual regions or properties. The Company continues to advance its insurance claims process.
(6) Sales of commodities purchased and commodities purchased are treated as corporate items and not allocated to individual regions or properties.
(7) Includes transfers of amounts held in Corporate to and from 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.

	Annual							
	Total		Grande Prairie Region		Kaybob Region		Central Alberta and Other Region	
	2024	2023	2024	2023	2024	2023	2024	2023
Shale gas (MMcf/d)	257.5	265.2	201.4	209.3	33.5	28.2	22.6	27.7
Conventional natural gas (MMcf/d)	49.3	49.9	0.3	0.4	45.6	44.6	3.4	4.9
Natural gas (MMcf/d)	306.8	315.1	201.7	209.7	79.1	72.8	26.0	32.6
Condensate (Bbl/d)	38,311	35,148	29,317	31,433	6,348	2,655	2,646	1,060
Other NGLs (Bbl/d)	6,920	6,226	4,306	4,414	1,490	1,070	1,124	742
NGLs (Bbl/d)	45,231	41,374	33,623	35,847	7,838	3,725	3,770	1,802
Light and medium crude oil (Bbl/d)	1,296	1,469	–	–	1,277	1,440	19	29
Tight oil (Bbl/d)	454	616	131	152	109	158	214	306
Heavy crude oil (Bbl/d)	371	424	–	–	–	–	371	424
Crude oil (Bbl/d)	2,121	2,509	131	152	1,386	1,598	604	759
Total (Boe/d)	98,490	96,393	67,363	70,943	22,404	17,449	8,723	8,001

	Q4							
	Total		Grande Prairie Region		Kaybob Region		Central Alberta and Other Region	
	2024	2023	2024	2023	2024	2023	2024	2023
Shale gas (MMcf/d)	269.2	271.8	213.8	214.1	35.7	30.2	19.7	27.5
Conventional natural gas (MMcf/d)	48.1	54.4	0.4	0.3	44.3	49.6	3.4	4.5
Natural gas (MMcf/d)	317.3	326.2	214.2	214.4	80.0	79.8	23.1	32.0
Condensate (Bbl/d)	41,243	37,522	31,330	32,155	6,794	4,003	3,119	1,364
Other NGLs (Bbl/d)	6,753	6,698	3,988	4,742	1,480	1,209	1,285	747
NGLs (Bbl/d)	47,996	44,220	35,318	36,897	8,274	5,212	4,404	2,111
Light and medium crude oil (Bbl/d)	792	1,636	–	–	772	1,602	20	34
Tight oil (Bbl/d)	393	699	113	227	60	205	220	267
Heavy crude oil (Bbl/d)	407	433	–	–	–	–	407	433
Crude oil (Bbl/d)	1,592	2,768	113	227	832	1,807	647	734
Total (Boe/d)	102,477	101,348	71,130	72,860	22,441	20,324	8,906	8,164

Estimated January 2025 sales volumes were approximately 101,500 Boe/d (53% shale gas and conventional natural gas combined, 40% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 7% other NGLs).

2025 average sales volumes are expected to be between 37,500 Boe/d and 42,500 Boe/d (52% shale gas and conventional natural gas combined, 40% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 8% 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 and years ended December 31, 2024 and 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 18 – Capital Structure in the Consolidated Financial Statements of Paramount for: (i) a description of the composition and use of these measures, (ii) reconciliations of adjusted funds flow and free cash flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the years ended December 31, 2024 and 2023 and (iii) a calculation of net (cash) debt as at December 31, 2024 and 2023.

The following is a reconciliation of adjusted funds flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three months ended December 31, 2024 and 2023:

Three months ended December 31 ($millions)	2024	2023
Cash from operating activities	**187.7**	287.0
Change in non-cash working capital	**35.9**	(18.4)
Geological and geophysical expense	**2.3**	2.7
Asset retirement obligations settled	**11.9**	12.8
Closure costs	**–**	–
Provisions	**–**	–
Settlements	**–**	–
Transaction and reorganization costs	**–**	–
Adjusted funds flow	**237.8**	284.1

The following is a reconciliation of free cash flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three months ended December 31, 2024 and 2023:

Three months ended December 31 ($ millions)	2024	2023
Cash from operating activities	**187.7**	287.0
Change in non-cash working capital	**35.9**	(18.4)
Geological and geophysical expense	**2.3**	2.7
Asset retirement obligations settled	**11.9**	12.8
Closure costs	**–**	–
Provisions	**–**	–
Settlements	**–**	–
Transaction and reorganization costs	**–**	–
Adjusted funds flow	**237.8**	284.1
Capital expenditures	**(170.8)**	(208.9)
Geological and geophysical expense	**(2.3)**	(2.7)
Asset retirement obligation settled	**(11.9)**	(12.8)
Free cash flow	**52.8**	59.7

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:

- planned capital expenditures in 2025 and the allocation thereof;
- expected average sales volumes for 2025 and certain periods therein;
- the expected 2025 exit rate of production; and
- planned and potential exploration, development and production activities, including the expected timing of completion of phase one and phase two of the Alhambra Plant and the expected capacity thereof on completion.

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

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

- future commodity prices;
- the potential scope and duration of tariffs, export taxes, export restrictions or other trade actions;
- 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, pipelines and other infrastructure, including the first and second phases of the Alhambra Plant, 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;

- changes in political and economic conditions, including risks associated with tariffs, export taxes, export restrictions or other trade actions;
- 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, pipeline and other infrastructure, including third-party facilities and phase one and phase two of the Alhambra Plant;
- 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 phase one and phase two of the Alhambra Plant;
- 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, 2024, 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.

Reserves Data

Reserves data set forth in this press release is based upon an evaluation of the Company's reserves prepared by McDaniel & Associates Consultants Ltd. ("McDaniel") dated March 4, 2025 and effective December 31, 2024 (the "McDaniel Report"). The reserves referenced in this press release are gross reserves. The price forecast used in the McDaniel Report is an average of forecast prices and inflation rate assumptions published by Sproule Associates Ltd. as at December 31, 2024 and GLJ Ltd. and McDaniel as at January 1, 2025 (each of which is available on their respective websites at www.sproule.com, www.gljpc.com and www.mcdan.com). The estimates of reserves contained in the McDaniel Report and referenced in this press release are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates contained in the McDaniel Report and referenced in this press release. There is no assurance that the forecast prices and costs assumptions used in the McDaniel Report will be attained, and variances could be material. Estimated future net revenue does not represent fair market value. The estimates of reserves for individual properties may not reflect the same confidence level as estimates of reserves for all properties due to the effects of aggregation. Readers should refer to the Company's annual information form for the year ended December 31, 2024, which is available on SEDAR+ at www.sedarplus.ca or on Paramount's website at www.paramountres.com, for a complete description of the McDaniel Report (including reserves by the specific product types of shale gas, conventional natural gas, NGLs, light and medium crude oil, tight oil and heavy crude oil) and the material assumptions, limitations and risk factors pertaining thereto.

Oil and Gas Measures and Definitions

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

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

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

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 year ended December 31, 2024, the value ratio between crude oil and natural gas was approximately 72:1. 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.

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, 2024 which is available on SEDAR+ at www.sedarplus.ca or on Paramount's website at www.paramountres.com.

Management's Discussion and Analysis
For the year ended December 31, 2024

This Management's Discussion and Analysis ("MD&A"), dated March 4, 2025, should be read in conjunction with the audited consolidated financial statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the year ended December 31, 2024 (the "Consolidated Financial Statements"). Financial data included in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and is stated in millions of Canadian dollars, unless otherwise noted. All references to "$" are to Canadian dollars and all references to "US$" are to United States dollars. The Company's accounting policies have been applied consistently to all periods presented.

ABOUT PARAMOUNT

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

To December 31, 2024, Paramount's operations were organized into the Grande Prairie Region, the Kaybob Region and the Central Alberta and Other Region.

The Company focused the majority of its Grande Prairie Region development activities on its Karr and Wapiti Montney properties until their sale in January 2025. The Karr and Wapiti properties represented essentially all Grande Prairie Region sales volumes in 2024. Additional information concerning the sale of the Company's Karr and Wapiti properties is included in the "Grande Prairie Disposition and Special Distribution" section of this MD&A.

The Kaybob Region is located in west-central Alberta and includes the Kaybob North Duvernay development and other natural gas and oil producing properties.

The Central Alberta and Other Region includes the Willesden Green Duvernay development in central Alberta and shale gas properties in the Horn River Basin and the Liard Basin in northeast British Columbia. The Company amalgamated with its wholly-owned subsidiary, Cavalier Energy Inc. ("Cavalier Energy"), on January 1, 2025, which held lands that are prospective for cold flow heavy oil and in-situ thermal oil recovery. Development activities in the Central Alberta and Other Region are currently focused on the Willesden Green Duvernay property.

The Company's assets also include: (i) investments in other publicly traded and private entities; (ii) six triple-sized drilling rigs owned by the Company's wholly-owned Fox Drilling Limited Partnership ("Fox Drilling"); and (iii) 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.

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 MD&A 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

	2024	2023	2022
FINANCIAL			
Petroleum and natural gas sales	1,760.2	1,798.5	2,252.4
Net income	335.9	470.2	680.6
Per share – basic ($/share)	*2.30*	*3.29*	*4.83*
Per share – diluted ($/share)	*2.25*	*3.17*	*4.63*
Cash from operating activities	815.3	938.2	1,049.6
Per share – basic ($/share) (1)	*5.58*	*6.56*	*7.45*
Per share – diluted ($/share) (1)	*5.46*	*6.32*	*7.14*
Adjusted funds flow (1)	930.3	965.3	1,171.0
Per share – basic ($/share)	*6.37*	*6.75*	*8.32*
Per share – diluted ($/share)	*6.24*	*6.51*	*7.97*
Free cash flow (1)	*37.3*	168.4	471.1
Per share – basic ($/share)	*0.25*	*1.18*	*3.35*
Per share – diluted ($/share)	*0.25*	*1.13*	*3.20*
Total assets	4,757.5	4,388.7	4,337.3
Investments in securities	563.9	540.9	557.1
Long-term debt	173.0	–	159.4
Net (cash) debt (1)	188.4	59.6	161.2
Total liabilities	1,062.2	889.5	959.2
Common shares outstanding (millions) (2)	146.9	144.2	142.0
Dividends declared and paid ($/share)	1.70	2.50	1.13
OPERATING			
Sales volumes			
Natural gas (MMcf/d)	306.8	315.1	294.7
Condensate and oil (Bbl/d)	40,432	37,657	33,908
Other NGLs (Bbl/d)	6,920	6,226	5,650
Total (Boe/d)	98,490	96,393	88,672
% Liquids	*48%*	*46%*	*45%*
Realized prices (1)			
Natural gas ($/Mcf)	1.99	3.04	6.24
Condensate and oil ($/Bbl)	96.96	99.25	117.07
Other NGLs ($/Bbl)	35.37	36.06	55.37
Petroleum and natural gas sales ($/Boe)	48.83	51.12	69.60
Capital expenditures	842.2	732.1	655.0

(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; 2023: 0.4 million; 2022: 0.8 million.

GRANDE PRAIRIE DISPOSITION AND SPECIAL DISTRIBUTION

On January 31, 2025, Paramount closed the sale of its Karr, Wapiti and Zama properties (the "Assets") to a wholly-owned subsidiary of Ovintiv Inc. ("Ovintiv") in exchange for approximately $3.3 billion in cash, after adjustments, plus certain Horn River Basin properties of Ovintiv (the "Grande Prairie Disposition"). Ovintiv assumed Paramount's processing and transportation commitments related to the Assets. These properties had average sales volumes of approximately 71,000 Boe/d (214 MMcf/d of shale gas and 35,300 Bbl/d of NGLs) and a netback of approximately $175 million in the fourth quarter of 2024.(1) The Grande Prairie Disposition was made pursuant to a purchase and sale agreement dated November 13, 2024, and as a result, the assets and liabilities associated with the Grande Prairie Disposition have been presented as held for sale at December 31, 2024 in the Consolidated Financial Statements.

The Company used a portion of the proceeds from the Grande Prairie Disposition to pay a special cash distribution of $15.00 per Common Share (totaling $2,148 million) on February 14, 2025 (the "Special Distribution"), comprised of a $12.00 return of capital (totaling $1,718 million) and a $3.00 special dividend (totaling $430 million).

Concurrently with the completion of the Grande Prairie Disposition, the capacity of the Company's financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility") was amended to $500 million and the maturity date was extended to January 31, 2029. At February 28, 2025, the Company had approximately $830 million in cash and cash equivalents, investments in securities valued at approximately $470 million and no drawings under the Paramount Facility. Additional information concerning the Paramount Facility is included in the "Liquidity and Capital Resources" section of this MD&A.

(1) Netback is a non-GAAP financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

2024 OVERVIEW

The Company achieved record annual sales volumes of 98,490 Boe/d (48% liquids) in 2024 and record quarterly sales volumes of 102,477 Boe/d (48% liquids) in the fourth quarter of 2024, in-line with updated guidance.

Sales volumes excluding Karr and Wapiti were 31,178 Boe/d (44% liquids) in 2024 and 31,425 Boe/d (45% liquids) in the fourth quarter of 2024. Duvernay production accounted for approximately 15,000 Boe/d (64% liquids) of these sales volumes in 2024.

Cash from operating activities was $815.3 million ($5.58 per basic share) in 2024 compared to $938.2 million ($6.56 per basic share) in 2023. Adjusted funds flow was $930.3 million ($6.37 per basic share) compared to $965.3 million ($6.75 per basic share) in 2023. Free cash flow was $37.3 million ($0.25 per basic share), higher than updated guidance of approximately $10 million. [(1)]

Capital expenditures were $842.2 million in 2024, in-line with updated guidance. Capital expenditures were largely directed to the Grande Prairie Region Montney development and the Willesden Green and Kaybob North Duvernay developments.

Asset retirement obligations settled were $38.1 million in 2024 compared to $54.6 million in 2023. Activities in 2024 included the abandonment of 44 wells and reclamation of 119 sites.

In February 2024, Paramount sold certain non-core Kaybob assets for $45.4 million cash and the retention of a two percent no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets (the "2024 Kaybob Disposition").

In April 2024, the Company sold 6.0 million shares of its investment in NuVista Energy Ltd. ("NuVista Shares") for net cash proceeds of $74.8 million. The carrying value of the Company's investments in securities was $563.9 million at December 31, 2024 compared to $540.9 million at December 31, 2023. Paramount received total cash dividends of $12.3 million in 2024 from its investments in securities.

Paramount paid total cash dividends of $1.70 per Common Share or $248.2 million in 2024. The Company increased its regular monthly dividend by 20 percent from $0.125 to $0.15 per Common Share in May 2024.

The Company purchased and cancelled 722,300 Common Shares at a total cost of $22.3 million to December 31, 2024 under its normal course issuer bid that was implemented in July 2024 (the "2024 NCIB").

Net debt was $188.4 million at December 31, 2024 compared to $59.6 million at December 31, 2023. The Company's net debt to adjusted funds flow ratio at December 31, 2024 was 0.2x. [(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.

2025 GUIDANCE

As previously announced, the Company is budgeting capital expenditures in 2025 of between $760 million and $790 million, focused mainly on its Willesden Green Duvernay and Kaybob North Duvernay developments. Capital has also been allocated to ongoing appraisal activities at Paramount's early-stage assets, including Sinclair.

As previously announced, 2025 average sales volumes are expected to be between 37,500 Boe/d and 42,500 Boe/d (48% liquids), with a 2025 year-end exit rate in excess of 45,000 Boe/d. Revised estimated January 2025 sales volumes, which included production from the assets sold pursuant to the Grande Prairie Disposition, averaged approximately 101,500 Boe/d (47% liquids). Sales volumes are anticipated to average between 28,000 Boe/d and 32,000 Boe/d in February to September, with new well activity essentially offsetting declines. With the start-up of the first phase of the new Alhambra Plant at Willesden Green, fourth quarter sales volumes are anticipated to average between 40,000 Boe/d and 45,000 Boe/d.

CONSOLIDATED RESULTS

Net Income

Paramount recorded net income of $335.9 million for the year ended December 31, 2024 compared to $470.2 million for the year ended December 31, 2023. Significant factors contributing to the change are shown below:

Year ended December 31	
Net income – 2023	**470.2**
• Lower gain on sale of oil and gas assets in 2024	(110.7)
• Higher depletion and depreciation expense in 2024	(28.0)
• Lower netback in 2024 mainly due to lower commodity prices, partially offset by higher liquids sales volumes and a $10.0 million interim payment from insurers for 2023 Alberta wildfire losses	(27.7)
• Lower gain on risk management contracts in 2024	(21.3)
• Higher exploration and evaluation expense in 2024	(13.8)
• Higher share-based compensation expense in 2024	(10.1)
• Lower income tax expense in 2024	68.6
• Other	8.7
Net income – 2024	**335.9**

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

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

Cash From Operating Activities

Cash from operating activities for the year ended December 31, 2024 was $815.3 million compared to $938.2 million for the year ended December 31, 2023. Significant factors contributing to the change are shown below:

Year ended December 31	
Cash from operating activities – 2023	**938.2**
• Change in non-cash working capital	(104.9)
• Lower netback in 2024 mainly due to lower commodity prices, partially offset by higher liquids sales volumes and a $10.0 million interim payment from insurers for 2023 Alberta wildfire losses	(27.7)
• Lower receipts on risk management contract settlements in 2024	(10.3)
• Lower asset retirement obligations settled in 2024	16.5
• Other	3.5
Cash from operating activities – 2024	**815.3**

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

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

Adjusted Funds Flow

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

Year ended December 31	2024	2023	2022
Cash from operating activities	**815.3**	938.2	1,049.6
Change in non-cash working capital (1)	**64.7**	(40.2)	98.4
Geological and geophysical expense (2)	**12.7**	10.2	8.8
Asset retirement obligations settled (1)	**38.1**	54.6	36.1
Provisions (3)	**(0.5)**	2.5	(21.9)
Adjusted funds flow (4)	**930.3**	965.3	1,171.0
Adjusted funds flow ($/Boe) (5)	**25.80**	27.43	36.18

(1) Refer to the consolidated statements of cash flows in the Consolidated Financial Statements.
(2) Refer to Note 5 in the Consolidated Financial Statements.
(3) Refer to Note 16 in the Consolidated Financial Statements.
(4) 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 year ended December 31, 2024 was $930.3 million compared to $965.3 million for the year ended December 31, 2023. Significant factors contributing to the change are shown below:

Year ended December 31	
Adjusted funds flow – 2023	**965.3**
• Lower netback in 2024 mainly due to lower commodity prices, partially offset by higher liquids sales volumes and a $10.0 million interim payment from insurers for 2023 Alberta wildfire losses	(27.7)
• Lower receipts on risk management contract settlements in 2024	(10.3)
• Other	3.0
Adjusted funds flow – 2024	**930.3**

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

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

Free Cash Flow

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

Year ended December 31	2024	2023	2022
Cash from operating activities	**815.3**	938.2	1,049.6
Change in non-cash working capital (1)	**64.7**	(40.2)	98.4
Geological and geophysical expense (2)	**12.7**	10.2	8.8
Asset retirement obligations settled (1)	**38.1**	54.6	36.1
Provisions (3)	**(0.5)**	2.5	(21.9)
Adjusted funds flow	**930.3**	965.3	1,171.0
Capital expenditures (1)	**(842.2)**	(732.1)	(655.0)
Geological and geophysical expense (2)	**(12.7)**	(10.2)	(8.8)
Asset retirement obligations settled (1)	**(38.1)**	(54.6)	(36.1)
Free cash flow (4)	**37.3**	168.4	471.1

(1) Refer to the consolidated statements of cash flows in the Consolidated Financial Statements.
(2) Refer to Note 5 in the Consolidated Financial Statements.
(3) Refer to Note 16 in the Consolidated Financial Statements.
(4) Free cash flow is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.

Free cash flow for the year ended December 31, 2024 was $37.3 million compared to $168.4 million for the year ended December 31, 2023. Significant factors contributing to the change are shown below:

Year ended December 31	
Free cash flow – 2023	**168.4**
• Higher capital expenditures in 2024	(110.1)
• Lower adjusted funds flow in 2024 (described in "Adjusted Funds Flow" section above)	(35.0)
• Higher geological and geophysical expense in 2024	(2.5)
• Lower asset retirement obligations settled in 2024	16.5
Free cash flow – 2024	**37.3**

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

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

OPERATING RESULTS

Netback

Year ended December 31	2024		2023	
		($/Boe)(1)(2)		($/Boe)(1)(2)
Natural gas revenue (3)	223.3	1.99	349.1	3.04
Condensate and oil revenue (3)	1,434.9	96.96	1,364.2	99.25
Other NGLs revenue (3)	89.6	35.37	81.9	36.06
Royalty income and other revenue (3)	12.4	–	3.3	–
Petroleum and natural gas sales (4)	1,760.2	48.83	1,798.5	51.12
Royalties (4)	(222.8)	(6.18)	(254.3)	(7.23)
Operating expense (4)	(473.9)	(13.15)	(453.8)	(12.90)
Transportation and NGLs processing (4)	(135.6)	(3.76)	(134.4)	(3.82)
Sales of commodities purchased (4)	317.3	8.80	255.1	7.25
Commodities purchased (4)	(312.0)	(8.65)	(250.2)	(7.11)
Netback (5)	933.2	25.89	960.9	27.31
Risk management contract settlements (6)	36.4	1.01	46.7	1.33
Netback including risk management contract settlements (7)	969.6	26.90	1,007.6	28.64

(1) Natural gas revenue shown per Mcf.
(2) When presented on a $/Boe or $/Mcf basis, each of the components of Netback is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.
(3) Refer to Note 15 in the Consolidated Financial Statements. Royalty income and other revenue for the year ended December 31, 2024 includes $10.0 million related to an interim payment from insurers for 2023 Alberta wildfire losses.
(4) Refer to the consolidated statements of comprehensive income in the Consolidated Financial Statements.
(5) Netback is a non-GAAP financial measure. Netback presented on a $/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.
(6) Refer to Note 14 in the Consolidated Financial Statements.
(7) Netback including risk management contract settlements is a non-GAAP financial measure. Netback including risk management contract settlements presented on a $/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

Petroleum and natural gas sales totaled $1,760.2 million for the year ended December 31, 2024 compared to $1,798.5 million in the same period in 2023. The decrease in 2024 was mainly due to the effects of a four percent decrease in petroleum and natural gas sales prices per Boe, which was partially offset by a two percent increase in sales volumes over the same time 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
Year ended December 31, 2023	349.1	1,364.2	81.9	3.3	1,798.5
Effect of changes in prices	(117.6)	(33.8)	(1.7)	–	(153.1)
Effect of changes in sales volumes	(8.2)	104.5	9.4	–	105.7
Change in royalty income and other revenue	–	–	–	9.1	9.1
Year ended December 31, 2024	**223.3**	**1,434.9**	**89.6**	**12.4**	**1,760.2**

Royalty income and other revenue for the year ended December 31, 2024 includes $10.0 million related to an interim payment from insurers for 2023 Alberta wildfire losses. This amount was not allocated to individual Regions or properties. The Company continues to advance its insurance claims process for these losses.

Petroleum and natural gas sales totaled $1,798.5 million for the year ended December 31, 2023, a decrease of $453.9 million from the prior year, mainly due to a 27 percent decrease in average realized petroleum and natural gas sales prices per Boe in 2023 compared to 2022. The effects of lower realized petroleum and natural gas sales prices per Boe were partially offset by a nine percent increase in sales volumes in 2023 compared to 2022.

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

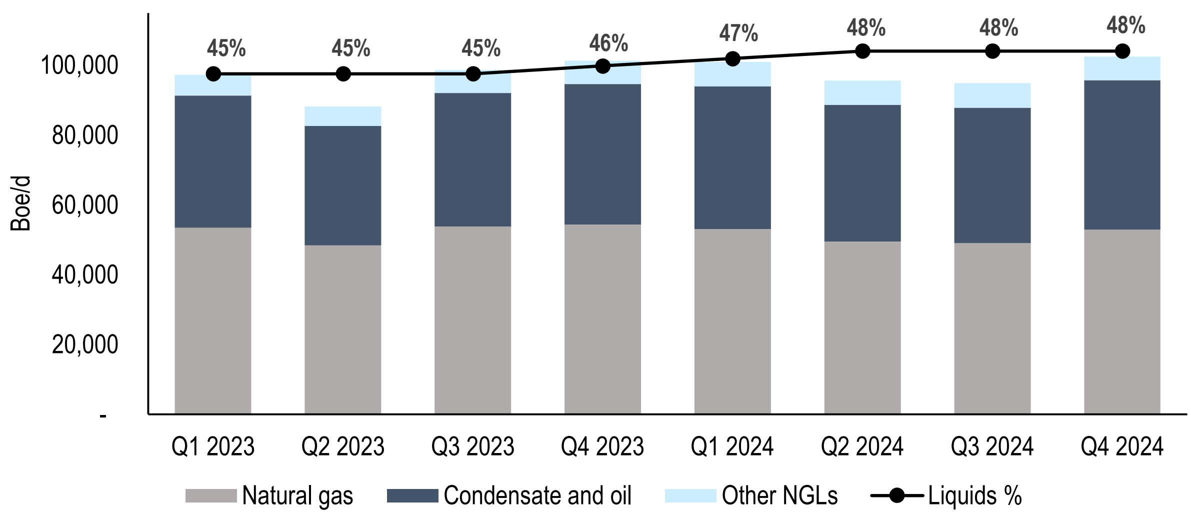
	Natural gas	Condensate and oil	Other NGLs	Royalty income and other revenue	Total
Year ended December 31, 2022	671.1	1,448.9	114.2	18.2	2,252.4
Effect of changes in prices	(368.4)	(245.0)	(43.9)	–	(657.3)
Effect of changes in sales volumes	46.4	160.3	11.6	–	218.3
Change in royalty income and other revenue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

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

Sales Volumes

	Year ended December 31											
	Natural gas (MMcf/d) [(1)]			Condensate and oil (Bbl/d) [(1)]			Other NGLs (Bbl/d) [(1)]			Total (Boe/d) [(1)]		
	2024	2023	*Chg*	2024	2023	*Chg*	2024	2023	*Chg*	2024	2023	*Chg*
Grande Prairie	201.7	209.7	*(4%)*	29,448	31,585	*(7%)*	4,306	4,414	*(2%)*	67,363	70,943	*(5%)*
Kaybob	79.1	72.8	*9%*	7,734	4,253	*82%*	1,490	1,070	*39%*	22,404	17,449	*28%*
Central Alberta and Other	26.0	32.6	*(20%)*	3,250	1,819	*79%*	1,124	742	*51%*	8,723	8,001	*9%*
Total	306.8	315.1	*(3%)*	40,432	37,657	*7%*	6,920	6,226	*11%*	98,490	96,393	*2%*

(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.



Total Company sales volumes averaged 98,490 Boe/d (48% liquids) for the year ended December 31, 2024, a new annual record for Paramount, compared to 96,393 Boe/d (46% liquids) in the same period in 2023. Sales volumes in 2023 were impacted by an estimated 3,300 Boe/d related to the Alberta wildfires.

Grande Prairie Region sales volumes averaged 67,363 Boe/d (50% liquids) for the year ended December 31, 2024 and were impacted by an estimated 7,400 Boe/d of downtime related to outages and curtailments associated with third-party midstream facilities. Cold weather and other operational challenges also significantly affected production from a number of wells in the first quarter of 2024. A total of 35 (35.0 net) new Montney wells were brought onstream in the region in 2024. In addition, Paramount completed an aggressive well optimization program in the region in 2024 aimed at increasing production from shut-in wells and wells that would benefit from intervention (the "Grande Prairie Region Well Optimization Program"). Grande Prairie Region sales volumes in 2023 averaged 70,943 Boe/d (51% liquids) and were impacted by approximately 5,800 Boe/d due to downtime associated with third-party midstream facilities and an estimated 1,500 Boe/d from the Alberta wildfires.

Kaybob Region sales volumes averaged 22,404 Boe/d (41% liquids) for the year ended December 31, 2024 compared to 17,449 Boe/d (31% liquids) in 2023. The Company brought onstream a total of 17 (17.0 net) new Duvernay wells in the Kaybob Region in 2024, increasing both sales volumes and liquids contribution. Kaybob Region sales volumes in 2023 were impacted by an estimated 1,800 Boe/d from the Alberta wildfires.

Sales volumes in the Central Alberta and Other Region averaged 8,723 Boe/d (50% liquids) for the year ended December 31, 2024 compared to 8,001 Boe/d (32% liquids) in 2023. The Company brought onstream a total of five (5.0 net) new Duvernay wells in the Central Alberta and Other Region in 2024, increasing both sales volumes and liquids contribution. The increase was partially offset by the shut-in of approximately 2,800 Boe/d of dry gas production in the second quarter of 2024.

Commodity Prices

Year Ended December 31	2024	2023	% Change
Natural Gas (1)			
Paramount realized natural gas price ($/Mcf)	1.99	3.04	(35)
AECO daily spot ($/GJ)	1.38	2.50	(45)
AECO monthly index ($/GJ)	1.37	2.78	(51)
Dawn ($/MMBtu)	2.66	3.19	(17)
NYMEX (US$/MMBtu)	2.41	2.66	(9)
Malin daily index (US$/MMBtu)	2.19	4.69	(53)
Condensate and Oil (1)			
Paramount realized condensate & oil price ($/Bbl)	96.96	99.25	(2)
Edmonton light sweet crude oil ($/Bbl)	98.13	99.87	(2)
Edmonton condensate ($/Bbl)	100.64	102.80	(2)
West Texas Intermediate crude oil (US$/Bbl)	75.73	77.63	(2)
Other NGLs (1)			
Paramount realized Other NGLs price ($/Bbl)	35.37	36.06	(2)
Conway – propane ($/Bbl)	42.65	39.10	9
Belvieu – butane ($/Bbl)	56.93	51.83	10
Foreign Exchange			
$ / 1 $US	1.37	1.35	1

(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, California, Oregon and Eastern Canada markets, which are sold in a combination of daily, monthly, seasonal and fixed-differential physical contracts. In 2024, Paramount's natural gas sales portfolio included arrangements to sell approximately 60,000 GJ/d of natural gas at Dawn, approximately 22,000 GJ/d of natural gas at Malin and approximately 3,300 GJ/d of natural gas at Emerson. The Company's natural gas sales portfolio in 2023 included arrangements to sell approximately 60,000 GJ/d of natural gas at Dawn, approximately 33,300 GJ/d of natural gas priced at the U.S. Midwest and approximately 22,000 GJ/d of natural gas at Malin. With the natural gas market diversification contracts currently in place, approximately 70 percent of the Company's natural gas sales volumes following the closing of the Grande Prairie Disposition will benefit from exposure to markets outside of AECO.

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.

NGLs (consisting of propane, butane and condensate resulting from fractionation) are sold under monthly and long-term contracts with prices primarily based on the Edmonton market with some diversification to alternate markets, adjusted for transportation and fractionation.

The Company had the following fixed-price and basis differential physical contracts at December 31, 2024:

	Volume	Location	Average price	Term
Natural gas (Sale)	19,327 GJ/d	Dawn	AECO + $2.06/GJ	January 2025 – October 2025
Natural gas	38,654 GJ/d	AECO / Dawn Basis	$1.59/GJ	November 2025 – October 2027

Risk Management Contracts

Financial 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: (1)

Year ended December 31	2024	2023
Fair value, beginning of year	–	11.8
Changes in fair value	49.3	48.0
Settlements (received) paid	(45.5)	(59.8)
Fair value, end of year	**3.8**	–

(1) Includes the derivative portion relating to a propane physical sales contract that commenced in February 2024.

In April 2024, Paramount entered into NYMEX WTI swaps (sale) in respect of 14,250 Bbl/d of oil at an average price of $111.67/Bbl from April 2024 to December 2024. In June 2024, the Company terminated and closed out the outstanding portion of these swaps for aggregate cash proceeds of $37.9 million.

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

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

Instruments	Aggregate notional	Average price	Remaining term
Oil			
NYMEX WTI Swaps (Sale) (1)	5,000 Bbl/d	$105.00/Bbl	January 2025 – December 2025
Natural Gas			
Citygate / Malin Basis Swap (2)	10,000 MMBtu/d	Citygate less US$1.03/MMBtu (Sell) Malin (Buy)	January 2025 – October 2027

(1) "NYMEX" means New York Mercantile Exchange and "WTI" means West Texas Intermediate.
(2) "Citygate" refers to Pacific Gas & Electric Citygate and "Malin" refers to Pacific Gas & Electric Malin. Pursuant to the swap transaction Paramount sells at Citygate less US$1.03/MMBtu and buys at Malin. The transaction is financially settled with no physical delivery.

Subsequent to December 31, 2024, Paramount entered into the following additional financial commodity contracts:

Instruments	Aggregate notional	Average price	Term
NYMEX WTI Swaps (Sale) (1)	5,000 Bbl/d	$105.00/Bbl	January 2025 – December 2025

(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 14 in the Consolidated Financial Statements.

Foreign Currency Exchange Contracts

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

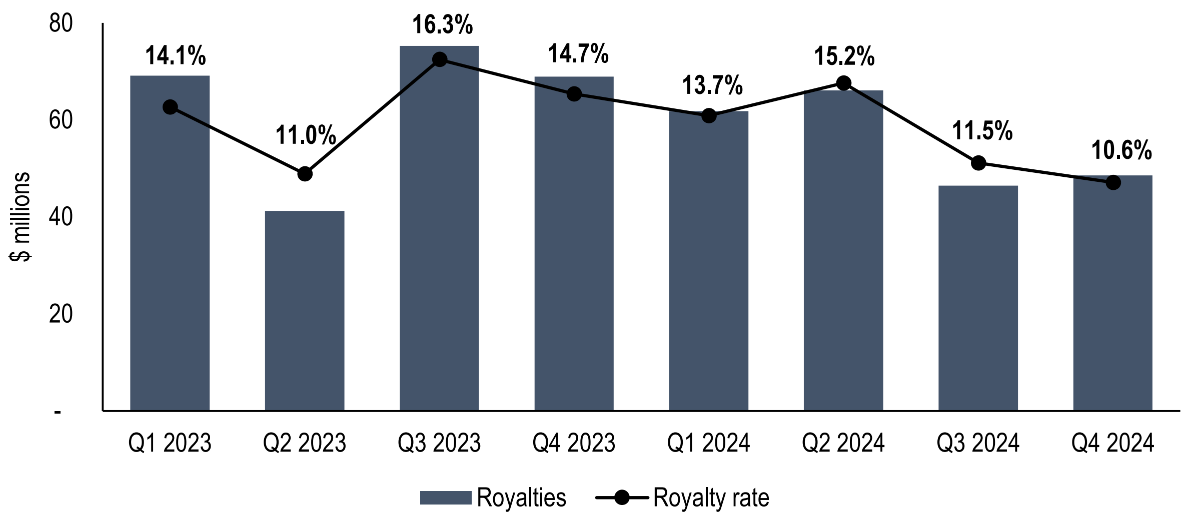
Year ended December 31	2024	2023
Fair value, beginning of year	8.4	(9.8)
Changes in fair value	(17.5)	5.1
Settlements paid (received)	9.1	13.1
Fair value, end of year	–	8.4

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

Royalties

Year ended December 31	2024	Rate	2023	Rate
Royalties	222.8	12.7%	254.3	14.2%
$/Boe (1)	*6.18*		*7.23*	

(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.

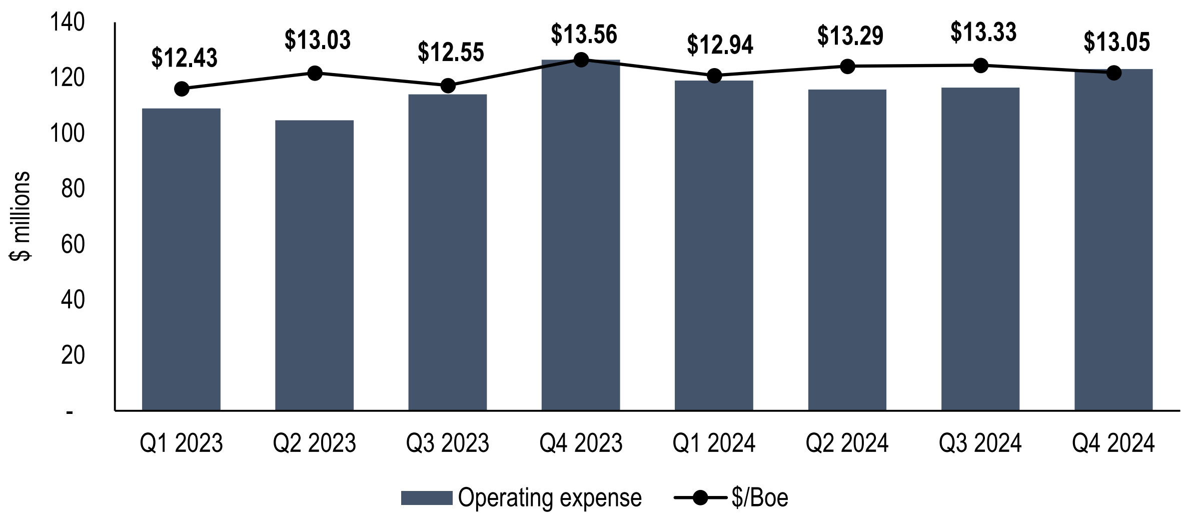


Royalties were $222.8 million for the year ended December 31, 2024 compared to $254.3 million in the same period in 2023. Royalties decreased in 2024 mainly as a result of lower royalty rates and lower petroleum and natural gas sales. Royalty rates decreased in 2024 mainly due to a greater proportion of wells on incentives and lower commodity prices. In addition, royalties and royalty rates decreased in 2024 due to higher gas cost allowance.

Operating Expense

Year ended December 31	2024	2023	% Change
Operating expense	473.9	453.8	4
$/Boe (1)	*13.15*	*12.90*	*2*

(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 $473.9 million for the year ended December 31, 2024, four percent higher than in 2023, mainly due to increased workover and maintenance activities, including from the Grande Prairie Region Well Optimization Program. These increases were partially offset by lower processing fees on lower sales volumes processed through third-party facilities and the impact of the 2024 Kaybob Disposition.

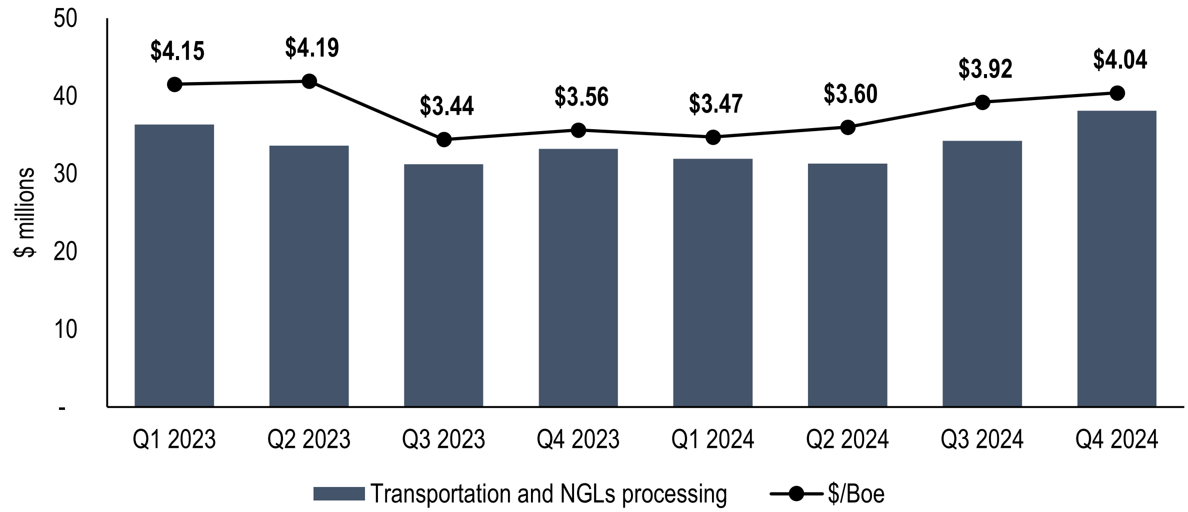
Operating expenses in the Grande Prairie Region were $335.4 million or $13.60/Boe in 2024 compared to $297.8 million or $11.50/Boe in 2023. Grande Prairie Region operating expenses were higher in 2024 mainly as a result of increased workover and maintenance activities, including from the Grande Prairie Region Well Optimization Program. Per unit operating expenses in the Grande Prairie Region were higher as a result of both higher costs and lower sales volumes.

Total Company operating expenses were $13.15/Boe for the year ended December 31, 2024 compared to $12.90/Boe in 2023, mainly due to increased workover and maintenance activities, including from the Grande Prairie Region Well Optimization Program, partially offset by higher sales volumes and lower third-party processing fees.

Transportation and NGLs Processing

Year ended December 31	2024	2023	% Change
Transportation and NGLs processing	135.6	134.4	*1*
$/Boe (1)	*3.76*	*3.82*	*(2)*

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



Transportation and NGLs processing expense for the year ended December 31, 2024 was $135.6 million or $3.76/Boe compared to $134.4 million or $3.82/Boe in the same period in 2023. The impact of higher sales volumes and higher contracted transportation capacity in 2024 was mostly offset by short-term optimization activities undertaken by the Company with respect to its transportation portfolio.

Sales of Commodities Purchased and Commodities Purchased

Year ended December 31	2024	2023	% Change
Sales of commodities purchased	317.3	255.1	*24*
Commodities purchased	(312.0)	(250.2)	*25*

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

Other Items

Year ended December 31	2024	2023
Depletion and depreciation	415.3	382.0
Change in asset retirement obligations	14.6	19.9
Exploration and evaluation expense	27.3	13.5
Gain on sale of oil and gas assets	(15.6)	(126.3)
Accretion of asset retirement obligations	42.4	43.2

Depletion and depreciation expense was $415.3 million in 2024 compared to $382.0 million in 2023. The increase in 2024 was mainly attributable to higher sales volumes and higher depletion rates per Boe. No depletion and depreciation expense was recorded for the Assets subject to the Grande Prairie Disposition while classified as held for sale.

For the year ended December 31, 2024, the Company recorded a charge of $14.6 million (2023 – $19.9 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. In 2024, the changes mainly resulted from a reduction in the credit-adjusted risk-free rate used to discount obligations from 7.75 percent per annum to 7.0 percent per annum (2023 – reduction in the credit-adjusted risk-free rate from 8.5 percent per annum to 7.75 percent per annum).

Exploration and evaluation expense was $27.3 million for the year ended December 31, 2024 compared to $13.5 million in 2023. The increase in 2024 was primarily due to higher expenses related to expired mineral leases.

The 2024 Kaybob Disposition closed in February 2024. The Company received cash proceeds of $45.4 million on the sale, resulting in a $14.3 million gain on sale of oil and gas assets in 2024. The properties sold had average sales volumes of approximately 850 Boe/d (56% liquids) in the fourth quarter of 2023, the last full quarter prior to sale.

In January 2023, Paramount closed the sale of its Kaybob Smoky and Kaybob South Duvernay properties and certain other minor interests. 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 $42.4 million for the year ended December 31, 2024, relatively consistent compared to $43.2 million for the same period in 2023.

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations settled for the year ended December 31, 2024 totaled $38.1 million. Activities in 2024 included the abandonment of 44 wells and the reclamation of 119 sites.

The Company's discounted asset retirement obligations at December 31, 2024, excluding liabilities associated with assets held for sale, were $341.0 million (discounted at 7.0 percent per annum and using an inflation rate of 2.0 percent per annum). For further details concerning the Company's asset retirement obligations, refer to Note 9 in the Consolidated Financial Statements.

OTHER ASSETS

Investments in Securities

As at December 31	2024	2023
Level One Securities	439.2	422.0
Level Three Securities	124.7	118.9
	563.9	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. These valuation techniques utilize market-based metrics of comparable companies and transactions, indicators of value based on equity transactions of the entities and other indicators of value including financial and operating results of the entities. Fair value estimates of Level Three Securities are updated at each balance sheet date to confirm whether the carrying value of the investment continues to fall within a range of possible fair values indicated by such techniques.

Level One Securities at December 31, 2024 included 31.3 million NuVista Shares (December 31, 2023 – 37.3 million NuVista Shares), which had a carrying value of $431.9 million (December 31, 2023 – $411.3 million).

In 2024, Paramount sold a portion of its Level One Securities, including 6.0 million NuVista Shares, for aggregate cash proceeds of $79.0 million, resulting in $57.7 million of accumulated gains, net of tax, being reclassified from reserves to retained earnings.

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

The Company recorded a before tax gain of $100.9 million to other comprehensive income ("OCI") for the year ended December 31, 2024 (2023 – a loss of $17.1 million) related to changes in the fair values of investments in securities.

In February 2025, Paramount sold all of its shares in Westbrick Energy Ltd., a Level Three Security, for cash consideration of $33.9 million. The carrying value of these shares was $33.2 million at December 31, 2024.

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

Fox Drilling

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

Other Strategic Investments

Paramount's other land holdings include 170,000 net acres of undeveloped land in the Mackenzie Delta and Central Mackenzie in the Northwest Territories prospective for natural gas and oil production.

CORPORATE

Year ended December 31	2024	2023
General and administrative	48.2	49.4
Share-based compensation	43.5	33.4
Interest and financing	7.8	6.5
Deferred income tax expense	60.9	129.5
Other	(15.3)	(7.3)

General and administrative expense was $48.2 million for the year ended December 31, 2024, comparable to $49.4 million in 2023.

Share-based compensation expense was $43.5 million for the year ended December 31, 2024, compared to $33.4 million in 2023. The increase was mainly due to higher grants under the Company's restricted share unit program.

Interest and financing expense was $7.8 million for the year ended December 31, 2024 compared to $6.5 million in 2023.

Deferred income tax expense was $60.9 million for the year ended December 31, 2024 compared to $129.5 million in 2023. The Company does not anticipate cash tax to arise on the Grande Prairie Disposition. After giving pro forma effect to the Grande Prairie Disposition, Paramount estimates its December 31, 2024 tax pools would be approximately $0.9 billion, the majority of which would be immediately deductible.

Other for the year ended December 31, 2024 was mainly related to dividend income of $12.3 million (2023 – $8.4 million) from the Company's investments in securities.

CAPITAL EXPENDITURES AND LAND AND PROPERTY ACQUISITIONS

Capital Expenditures

Year ended December 31	2024	2023
Drilling, completion, equipping and tie-ins	631.8	558.5
Facilities and gathering	210.3	142.6
Drilling rigs	8.4	18.8
Corporate	(8.3)	12.2
Capital expenditures	842.2	732.1
Grande Prairie Region	431.0	380.3
Kaybob Region	172.6	190.4
Central Alberta and Other Region	238.1	120.0
Fox Drilling and Cavalier Energy	8.8	29.2
Corporate (1)	(8.3)	12.2
Capital expenditures	842.2	732.1

(1) Includes transfers of amounts held in Corporate to and from regions.

Land and Property Acquisitions

Year ended December 31	2024	2023
Land and property acquisitions	14.3	79.2

Capital expenditures totaled $842.2 million for the year ended December 31, 2024 compared to $732.1 million in 2023. Significant capital program activities in 2024 included the following:

- In the Grande Prairie Region, the Company drilled 34 (34.0 net) Montney wells and completed and brought onstream 35 (35.0 net) Montney wells. A new compressor node in the western portion of the Wapiti area was commissioned and brought onstream in the third quarter of 2024.

- In the Kaybob Region, the Company drilled 14 (14.0 net) Duvernay wells and completed and brought onstream 17 (17.0 net) Duvernay wells.

- In the Central Alberta and Other Region, the construction of the Alhambra Plant at Willesden Green continued. The Company also drilled 10 (10.0 net) Duvernay wells, completed three (3.0 net) Duvernay wells and brought onstream five (5.0 net) Duvernay wells at Willesden Green.

Land and property acquisitions totaled $14.3 million in 2024 compared to $79.2 million 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 18 – Capital Structure in the Consolidated Financial Statements for important additional information concerning these measures.

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

As at December 31	2024	2023
Cash and cash equivalents	(2.4)	(48.9)
Accounts receivable (1)	(191.8)	(155.0)
Prepaid expenses and other	(17.4)	(9.0)
Accounts payable and accrued liabilities	227.0	272.5
Long-term debt	173.0	–
Net (cash) debt	**188.4**	59.6

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

Net (cash) debt does not account for the $563.9 million carrying value of the Company's investments in securities as at December 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, cash and cash equivalents and available capacity under the Paramount Facility, the terms of which are described further below.

Based on the forecasts of 2025 sales volumes set out in this MD&A under the "2025 Guidance" section, and following the closing of the Grande Prairie Disposition and payment of the Special Distribution, the Company expects to fully fund its forecast 2025 annual capital expenditures, abandonment and reclamation expenditures and regular monthly dividends from cash from operating activities and its available cash and cash equivalents.

Paramount may also determine to divest of assets or investments in securities from time to time to reduce indebtedness or fund operations. In January 2025, Paramount closed the Grande Prairie Disposition, receiving cash proceeds of approximately $3.3 billion, repaid all remaining drawings then outstanding under the Paramount Facility and in February 2025, paid the $2.1 billion Special Distribution to shareholders. In 2024, the Company received cash proceeds of $126.8 million from the disposition of assets and investments in securities (2023 – cash proceeds of $377.3 million from the disposition of assets). 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 Company currently has a $500 million financial covenant-based senior secured revolving bank credit facility, which was amended and extended in January 2025 in conjunction with the closing of the Grande Prairie Disposition. The Paramount Facility is secured by a charge over substantially all of the assets of the Company and its subsidiaries and has a maturity date of January 31, 2029.

The Paramount Facility contains a covenant requiring prior lender consent for the payment of dividends and other distributions if the Senior Secured Debt to Consolidated EBITDA ratio is greater than 2.50 to 1.00 pro forma the payment of the distribution. In addition, following payment of the Special Distribution in February 2025, until the Company achieves average quarterly production of at least 55,000 Boe/d for two consecutive fiscal quarters ("Minimum Production"), prior lender consent is required for distributions other than (i) any regular monthly dividend approved by Paramount’s board of directors; or (ii) any repurchase by the Company of its Common Shares pursuant to a normal course issuer bid.

At Paramount's request, the capacity of the Paramount Facility can be increased from $500 million to up to $750 million pursuant to an accordion feature in the facility, subject to incremental lender commitments and the Company achieving Minimum Production.

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling $7.5 million at December 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, including a description of the financial covenants and the meaning of the Senior Secured Debt to Consolidated EBITDA ratio, refer to Note 8 in the Consolidated Financial Statements.

Unsecured Letter of Credit Facility

The Company has a $90 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank. Paramount’s obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada. In January 2025, the term of the PSG was extended from June 30, 2025 to June 30, 2026. At December 31, 2024, $29.4 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 December 31, 2024:

Contract type	Aggregate notional (1)	Average fixed contract rate (1)	Remaining term
Electricity Swaps (Buy)	240 MWh/d	$71.13/MWh	January 2025 – December 2025
Electricity Swaps (Buy)	120 MWh/d	$58.79/MWh	January 2025 – December 2029
Electricity Swaps (Buy)	120 MWh/d	$58.19/MWh	January 2026 – December 2028
Electricity Swaps (Buy)	120 MWh/d	$61.73/MWh	January 2026 – December 2030

(1) 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 December 31, 2024.

For additional information concerning the Company's cash flow hedges, refer to Note 14 in the Consolidated Financial Statements.

Paramount Options and Share Capital

In connection with the Special Distribution, in February 2025:

i. all outstanding unvested options to acquire Common Shares ("Paramount Options") with an exercise price less than $15.00 were vested;

ii. 902,805 Paramount Options were surrendered by holders in consideration for cash payments by Paramount totaling $22.0 million, calculated as the difference between the market price of the Common Shares and the exercise price of the applicable Paramount Options surrendered; and

iii. the exercise price of all Paramount Options with an exercise price of greater than $15.00 was reduced by $15.00.

At February 28, 2025, Paramount had 143.0 million Common Shares outstanding (net of 0.3 million Common Shares held in trust under the Company’s restricted share unit plan) and 6.3 million Paramount Options outstanding, of which 1.8 million Paramount Options are exercisable.

For the year ended December 31, 2024, Paramount issued 3.4 million Common Shares on the exercise of Paramount Options.

Dividends and Distributions

For the year ended December 31, 2024, Paramount declared total cash dividends of $1.70 per Common Share or $248.2 million (2023 – $2.50 per Common Share or $355.4 million comprised of a special dividend of $1.00 per Common Share or $142.9 million and regular monthly dividends totaling $1.50 per Common Share or $212.5 million).

Subsequent to December 31, 2024, the Company paid regular monthly cash dividends of $0.15 per Common Share on January 31, 2025 and $0.05 per Common Share on February 28, 2025 to shareholders of record on January 15, 2025 and February 20, 2025, respectively. In March 2025, Paramount's Board of Directors declared a cash dividend of $0.05 per Common Share to be payable on March 31, 2025 to shareholders of record on March 17, 2025.

Paramount also paid the Special Distribution of $15.00 per Common Share on February 14, 2025 to shareholders of record on February 10, 2025, which is further described in the "Grande Prairie Disposition and Special Distribution" section of this MD&A.

Normal Course Issuer Bid

In July 2024, Paramount implemented the 2024 NCIB under which the Company may purchase up to 7.9 million Common Shares for cancellation. The 2024 NCIB will terminate on the earlier of July 7, 2025 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2024 NCIB are purchased. Purchases of Common Shares under the 2024 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 purchased and cancelled 722,300 Common Shares at a total cost of $22.3 million under the 2024 NCIB to December 31, 2024. Subsequent to December 31, 2024, Paramount purchased and cancelled an additional 4,945,000 Common Shares under the 2024 NCIB at a total cost of $154.7 million.

Paramount previously implemented a normal course issuer bid in July 2023. No shares were purchased under that normal course issuer bid, which expired on July 5, 2024.

FOURTH QUARTER RESULTS

Net Income

Three months ended December 31	2024	2023
Petroleum and natural gas sales	459.3	470.5
Royalties	(48.5)	(68.9)
Sales of commodities purchased	98.7	50.2
Revenue	509.5	451.8
Gain (loss) on risk management contracts	(25.3)	53.4
	484.2	505.2
Expenses		
Operating expense	123.0	126.4
Transportation and NGLs processing	38.1	33.2
Commodities purchased	97.7	47.4
General and administrative	12.5	10.5
Share-based compensation	25.3	17.8
Depletion and depreciation	69.7	131.8
Exploration and evaluation	16.8	5.4
Gain on sale of oil and gas assets	(0.1)	(3.4)
Interest and financing expense	2.9	2.0
Accretion of asset retirement obligations	10.6	10.8
Other	(4.0)	(7.3)
	392.5	374.6
Income before tax	91.7	130.6
Income tax expense		
Deferred	4.3	18.7
Net income	87.4	111.9
Net income per common share ($/share)		
Basic	0.60	0.78
Diluted	0.59	0.75

Paramount recorded net income of $87.4 million for the three months ended December 31, 2024 compared to $111.9 million in the same period in 2023. Significant factors contributing to the change are shown below:

Three months ended December 31	
Net income – 2023	**111.9**
• Loss on risk management contracts in 2024 compared to a gain in 2023	(78.7)
• Higher exploration and evaluation expense in 2024	(11.4)
• Higher share-based compensation expense in 2024	(7.5)
• Lower depletion and depreciation expense in 2024	62.1
• Lower income tax expense in 2024	14.4
• Higher netback in 2024 mainly due to higher liquids sales volumes and lower royalties	5.9
• Other	(9.3)
Net income – 2024	87.4

Cash From Operating Activities

Three months ended December 31	2024	2023
Operating activities		
Net income	87.4	111.9
Add (deduct):		
Items not involving cash	148.1	169.5
Asset retirement obligations settled	(11.9)	(12.8)
Change in non-cash working capital	(35.9)	18.4
Cash from operating activities	187.7	287.0

Cash from operating activities for the three months ended December 31, 2024 was $187.7 million compared to $287.0 million for the same period in 2023. Significant factors contributing to the change are shown below:

Three months ended December 31	
Cash from operating activities – 2023	**287.0**
• Change in non-cash working capital	(54.3)
• Payments on risk management contract settlements in 2024 compared to receipts in 2023	(44.5)
• Higher netback in 2024 mainly due to higher liquids sales volumes and lower royalties	5.9
• Other	(6.4)
Cash from operating activities – 2024	187.7

Adjusted Funds Flow

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

Three months ended December 31	2024	2023
Cash from operating activities	187.7	287.0
Change in non-cash working capital	35.9	(18.4)
Geological and geophysical expense	2.3	2.7
Asset retirement obligations settled	11.9	12.8
Adjusted funds flow (1)	237.8	284.1
Adjusted funds flow ($/Boe) (2)	25.21	30.48

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

Adjusted funds flow for the three months ended December 31, 2024 was $237.8 million compared to $284.1 million in the same period in 2023. Significant factors contributing to the change are shown below:

Three months ended December 31	
Adjusted funds flow – 2023	**284.1**
• Payments on risk management contract settlements in 2024 compared to receipts in 2023	(44.5)
• Higher netback in 2024 mainly due to higher liquids sales volumes and lower royalties	5.9
• Other	(7.7)
Adjusted funds flow – 2024	237.8

Free Cash Flow

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

Three months ended December 31	2024	2023
Cash from operating activities	187.7	287.0
Change in non-cash working capital	35.9	(18.4)
Geological and geophysical expense	2.3	2.7
Asset retirement obligations settled	11.9	12.8
Adjusted funds flow	237.8	284.1
Capital expenditures	(170.8)	(208.9)
Geological and geophysical expense	(2.3)	(2.7)
Asset retirement obligations settled	(11.9)	(12.8)
Free cash flow (1)	52.8	59.7

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

Free cash flow for the three months ended December 31, 2024 was $52.8 million compared to $59.7 million in the same period in 2023. Significant factors contributing to the change are shown below:

Three months ended December 31	
Free cash flow – 2023	**59.7**
• Lower adjusted funds flow in 2024 (described in "Adjusted Funds Flow" section above)	(46.3)
• Lower capital expenditures in 2024	38.1
• Other	1.3
Free cash flow – 2024	**52.8**

Netback

Three months ended December 31	2024		2023	
		($/Boe)(1)(2)		($/Boe)(1)(2)
Natural gas revenue	58.0	1.99	83.7	2.79
Condensate and oil revenue	379.4	96.26	363.7	98.12
Other NGLs revenue	21.3	34.32	22.2	36.00
Royalty income and other revenue	0.6	–	0.9	–
Petroleum and natural gas sales	459.3	48.72	470.5	50.46
Royalties	(48.5)	(5.14)	(68.9)	(7.39)
Operating expense	(123.0)	(13.05)	(126.4)	(13.56)
Transportation and NGLs processing	(38.1)	(4.04)	(33.2)	(3.56)
Sales of commodities purchased	98.7	10.46	50.2	5.38
Commodities purchased	(97.7)	(10.36)	(47.4)	(5.08)
Netback (3)	250.7	26.59	244.8	26.25
Risk management contract settlements	(1.5)	(0.16)	43.0	4.61
Netback including risk management contract settlements (4)	249.2	26.43	287.8	30.86

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

Fourth quarter 2024 petroleum and natural gas sales were $459.3 million compared to $470.5 million for the same period in 2023. The decrease in 2024 was mainly due to a three percent decrease in petroleum and natural gas sales prices per Boe 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 December 31, 2023	83.7	363.7	22.2	0.9	470.5
Effect of changes in prices	(23.4)	(7.3)	(1.1)	–	(31.8)
Effect of changes in sales volumes	(2.3)	23.0	0.2	–	20.9
Change in royalty income and other revenue	–	–	–	(0.3)	(0.3)
Three months ended December 31, 2024	**58.0**	**379.4**	**21.3**	**0.6**	**459.3**

Sales Volumes

	Three months ended December 31											
	Natural gas (MMcf/d) (1)			Condensate and oil (Bbl/d) (1)			Other NGLs (Bbl/d) (1)			Total (Boe/d) (1)		
	2024	2023	*Chg*	2024	2023	*Chg*	2024	2023	*Chg*	2024	2023	*Chg*
Grande Prairie	**214.2**	214.4	–	**31,443**	32,382	*(3%)*	**3,988**	4,742	*(16%)*	**71,130**	72,860	*(2%)*
Kaybob	**80.0**	79.8	–	**7,626**	5,810	*31%*	**1,480**	1,209	*22%*	**22,441**	20,324	*10%*
Central Alberta and Other	**23.1**	32.0	*(28%)*	**3,766**	2,098	*80%*	**1,285**	747	*72%*	**8,906**	8,164	*9%*
Total	**317.3**	326.2	*(3%)*	**42,835**	40,290	*6%*	**6,753**	6,698	*1%*	**102,477**	101,348	*1%*

(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.

Total Company sales volumes in the fourth quarter of 2024 averaged 102,477 Boe/d (48% liquids), a new quarterly record for Paramount, compared to 101,348 Boe/d (46% liquids) in the same period in 2023.

Fourth quarter sales volumes in the Grande Prairie Region averaged 71,130 Boe/d (50% liquids) compared to 72,860 Boe/d (51% liquids) in the same period in 2023. Fourth quarter 2024 sales volumes were impacted by approximately 6,100 Boe/d from the previously disclosed shut-down of the Wapiti field for the equivalent of 17 full days related to the scheduled turnaround of the third-party Wapiti natural gas processing plant. Grande Prairie Region sales volumes in the fourth quarter of 2024 were also impacted by an estimated 5,000 Boe/d related to unplanned outages and curtailments associated with third-party midstream facilities (fourth quarter of 2023 – approximately 6,800 Boe/d of outages and curtailments associated with third-party midstream facilities). The Company brought onstream eight new Montney wells in the Grande Prairie Region during the fourth quarter of 2024.

Kaybob Region sales volumes averaged 22,441 Boe/d (41% liquids) in the fourth quarter of 2024 compared to 20,324 Boe/d (35% liquids) in the same period in 2023. The increase in sales volumes and liquids contribution was mainly due to new Duvernay wells brought onstream, partially offset by the 2024 Kaybob Disposition. The Company had 1,300 Boe/d of Kaybob Region dry natural gas production shut-in during the quarter due to low natural gas prices.

Sales volumes in the Central Alberta and Other Region were 8,906 Boe/d (57% liquids) in the fourth quarter of 2024 compared to 8,164 Boe/d (35% liquids) in the same period in 2023. The Company brought on five new Duvernay wells in the Central Alberta and Other Region in 2024, increasing both sales volumes and liquids contribution. Paramount had 2,800 Boe/d of Central Alberta and Other Region dry natural gas production shut-in during the quarter.

Commodity Prices

Three months ended December 31	2024	2023	% Change
Natural Gas (1)			
Paramount realized natural gas price ($/Mcf)	1.99	2.79	(29)
AECO daily spot ($/GJ)	1.40	2.18	(36)
AECO monthly index ($/GJ)	1.38	2.52	(45)
Dawn ($/MMBtu)	3.16	3.17	–
NYMEX (US$/MMBtu)	2.99	2.91	3
Malin daily index (US$/MMBtu)	2.48	3.64	(32)
Condensate and Oil (1)			
Paramount realized condensate & oil price ($/Bbl)	96.26	98.12	(2)
Edmonton light sweet crude oil ($/Bbl)	92.69	97.55	(5)
Edmonton condensate ($/Bbl)	98.82	104.09	(5)
West Texas Intermediate crude oil (US$/Bbl)	70.27	78.32	(10)
Other NGLs (1)			
Paramount realized Other NGLs price ($/Bbl)	34.32	36.00	(5)
Conway – propane ($/Bbl)	43.21	37.04	17
Belvieu – butane ($/Bbl)	66.13	53.58	23
Foreign Exchange			
$ / 1 $US	1.40	1.36	3

(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.

In the fourth quarter of 2024, Paramount's natural gas sales portfolio included arrangements to sell approximately 60,000 GJ/d of natural gas at Dawn, approximately 22,000 GJ/d of natural gas at Malin and approximately 13,300 GJ/d of natural gas at Emerson. The Company's natural gas sales portfolio in the fourth quarter of 2023 included arrangements to sell approximately 60,000 GJ/d of natural gas at Dawn, approximately 22,000 GJ/d of natural gas at Malin and approximately 13,500 GJ/d of natural gas priced at the U.S. Midwest.

Royalties were $48.5 million in the fourth quarter of 2024 compared to $68.9 million in the same period in 2023. Royalty rates were 10.6 percent in the fourth quarter of 2024 compared to 14.7 percent in the same period in 2023. Royalties and royalty rates decreased in the fourth quarter of 2024 mainly due to a greater proportion of wells on incentives and higher gas cost allowance.

Operating expenses were $123.0 million in the fourth quarter of 2024 compared to $126.4 million in the same period in 2023. Operating expenses were three percent lower in 2024 mainly due to the impact of the 2024 Kaybob Disposition and lower processing fees on lower sales volumes processed through third-party facilities. These decreases were partially offset by increased workover and maintenance activities.

Total Company per unit operating expenses were $13.05/Boe in the fourth quarter of 2024 compared to $13.56/Boe in the same period in 2023. The decrease was mainly due to lower third-party processing fees and higher sales volumes, partially offset by increased workover and maintenance activities.

Transportation and NGLs processing expense was $38.1 million or $4.04/Boe in the fourth quarter of 2024 compared to $33.2 million or $3.56/Boe in the same period in 2023. The increase was mainly due to less short-term optimization with respect to the Company's transportation portfolio.

Sales of commodities purchased were $98.7 million in the fourth quarter of 2024 compared $50.2 million in the same period in 2023. Commodities purchased were $97.7 million in the fourth quarter of 2024 compared to $47.4 million in the same period in 2023.

Depletion and depreciation expense was $69.7 million in the fourth quarter of 2024 compared to $131.8 million in the same period in 2023. The decrease in 2024 was mainly from transferring the Assets sold as part of the Grande Prairie Disposition to held for sale during the fourth quarter of 2024 and due to a $13.3 million recovery related to changes in asset retirement obligations compared to a $16.3 million charge in 2023.

Capital Expenditures by Region

Three months ended December 31	2024	2023
Grande Prairie Region	71.3	75.8
Kaybob Region	18.8	64.5
Central Alberta and Other Region	79.5	61.7
Fox and Cavalier Energy	1.2	3.9
Corporate	–	3.0
Capital expenditures	**170.8**	208.9

Capital expenditures in the fourth quarter of 2024 totaled $170.8 million, with the majority of spending directed to the Willesden Green and Kaybob North Duvernay developments and the Grande Prairie Region Montney development.

QUARTERLY INFORMATION

	2024				2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Petroleum and natural gas sales	**459.3**	404.8	443.6	452.3	470.5	463.8	374.4	489.7
Revenue	**509.5**	438.0	461.9	445.2	451.8	430.7	380.9	535.7
Net income	**87.4**	95.8	84.5	68.1	111.9	87.2	74.2	197.0
Per share – basic ($/share)	***0.60***	*0.65*	*0.58*	*0.47*	*0.78*	*0.61*	*0.52*	*1.39*
Per share – diluted ($/share)	***0.59***	*0.64*	*0.57*	*0.46*	*0.75*	*0.59*	*0.50*	*1.33*
Cash from operating activities	**187.7**	205.7	220.5	201.3	287.0	207.6	172.2	271.4
Per share – basic ($/share) (1)	***1.28***	*1.40*	*1.51*	*1.39*	*1.99*	*1.45*	*1.20*	*1.91*
Per share – diluted ($/share) (1)	***1.26***	*1.38*	*1.47*	*1.35*	*1.93*	*1.40*	*1.16*	*1.84*
Adjusted funds flow (1)	**237.8**	200.7	266.2	225.6	284.1	234.2	178.7	268.2
Per share – basic ($/share)	***1.62***	*1.37*	*1.82*	*1.56*	*1.97*	*1.64*	*1.25*	*1.89*
Per share – diluted ($/share)	***1.59***	*1.34*	*1.78*	*1.52*	*1.91*	*1.58*	*1.21*	*1.81*
Free cash flow (1)	**52.8**	(26.3)	20.3	(9.5)	59.7	18.5	30.5	59.8
Per share – basic ($/share)	***0.36***	*(0.18)*	*0.14*	*(0.07)*	*0.41*	*0.13*	*0.21*	*0.42*
Per share – diluted ($/share)	***0.35***	*(0.18)*	*0.14*	*(0.07)*	*0.40*	*0.12*	*0.21*	*0.40*
Dividends declared ($/share)	**0.45**	0.45	0.425	0.375	0.375	0.375	0.375	1.375
Sales volumes								
Natural gas (MMcf/d)	**317.3**	294.5	296.8	318.7	326.2	323.1	290.2	320.6
Condensate and oil (Bbl/d)	**42,835**	38,770	39,206	40,908	40,290	38,161	34,230	37,916
Other NGLs (Bbl/d)	**6,753**	7,045	6,928	6,954	6,698	6,627	5,648	5,916
Total (Boe/d)	**102,477**	94,892	95,609	100,977	101,348	98,644	88,243	97,269
Liquids %	***48%***	*48%*	*48%*	*47%*	*46%*	*45%*	*45%*	*45%*
Realized prices (1)								
Natural gas ($/Mcf)	**1.99**	1.37	1.69	2.84	2.79	2.67	2.43	4.23
Condensate and oil ($/Bbl)	**96.26**	96.15	103.07	92.64	98.12	103.36	94.42	100.66
Other NGLs ($/Bbl)	**34.32**	36.25	33.07	37.81	36.00	33.64	30.86	43.93
Petroleum and natural gas ($/Boe)	**48.72**	46.37	50.99	49.24	50.46	51.11	46.63	55.94

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

Significant Items Impacting Quarterly Results

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

- Fourth quarter 2024 earnings include a $25.3 million loss on risk management contracts and lower depletion and depreciation expense mainly from transferring the Assets sold as part of the Grande Prairie Disposition to held for sale during the fourth quarter of 2024.
- Third quarter 2024 earnings include a $32.5 million gain on risk management contracts.
- Second quarter 2024 earnings include a $36.0 million gain on risk management contracts, $10.0 million related to an interim payment from insurers for 2023 wildfire losses and $7.9 million in dividends on the Company's investments in securities.
- 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.

OTHER INFORMATION

Contractual Obligations

Paramount had the following contractual obligations at December 31, 2024: (1)

	Within 1 year	After one year but not more than three years	After three years but not more than five years	More than five years	Total
Paramount Facility	–	173.6	–	–	**173.6**
Transportation and processing commitments	247.8	518.1	452.1	1,461.0	**2,679.0**
Finance lease and other commitments	12.3	13.9	6.3	19.2	**51.7**
	260.1	**705.6**	**458.4**	**1,480.2**	**2,904.3**

(1) Excludes risk management liabilities and accounts payable and accrued liabilities, which are described in Note 14 in the Consolidated Financial Statements.

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

In connection with the Grande Prairie Disposition, which closed on January 31, 2025, Ovintiv assumed Paramount’s processing and transportation commitments and finance lease obligations related to the Assets. These contractual obligations totaled approximately $1.4 billion at December 31, 2024.

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.

NEW AND UPDATED ACCOUNTING POLICIES AND STANDARDS

Future Changes in Accounting Standards

In April 2024, the International Accounting Standards Board ("IASB") issued *IFRS 18 – Presentation and Disclosure in Financial Statements,* which replaces *IAS 1 – Presentation of Financial Statements* and establishes a revised structure for the financial statements, required disclosures for certain management-defined performance measures and additional requirements for the grouping of information in the financial statements. IFRS 18 is effective for fiscal years beginning on or after January 1, 2027, with early adoption permitted. The Company is in the process of confirming the impact of this new standard on its consolidated financial statements.

In May 2024, the IASB issued amendments to *IFRS 9 – Financial Instruments* and *IFRS 7 – Financial Instruments: Disclosures*. These amendments include clarifications of the dates of recognition and derecognition of some financial assets and liabilities and the classification of certain financial assets. In addition, there are new disclosure requirements related to equity instruments designated as fair value through other comprehensive income. These amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted. The Company is in the process of confirming the impact of this new standard on its consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

As of the year ended December 31, 2024, an evaluation of the effectiveness of Paramount's disclosure controls and procedures ("DCP"), as defined under National Instrument 52-109 "*Certification of Disclosure in Issuers' Annual and Interim Filings*" ("NI 52-109"), was performed by the Company's Management under the supervision of the Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's DCP are effective as of December 31, 2024.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management, under the supervision of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting ("ICFR") as defined under NI 52-109 as at December 31, 2024. In making its evaluation, Management used the Committee of Sponsoring Organizations of the Treadway Commission Framework in Internal Control – Integrated Framework (2013). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's ICFR was effective as of December 31, 2024.

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

During the year ended December 31, 2024, there was no change in the Company's ICFR that materially affected, or is reasonably likely to materially affect, the Company's ICFR.

RISK FACTORS

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

On February 1, 2025, the United States announced that it was imposing import tariffs on goods from certain major trading partners effective February 4, 2025. With respect to Canada, these consisted of a 25 percent tariff on Canadian-origin imports other than energy products and a 10 percent tariff on energy products (including crude oil, natural gas, lease condensates, natural gas liquids, refined petroleum products, uranium, coal, biofuels, geothermal heat, the kinetic movement of flowing water and critical minerals). In response, Canada announced its intention to implement retaliatory tariffs of 25 percent on imports of certain products of the United States. On February 3, 2025, the United States and Canada agreed to delay the imposition of the tariffs and retaliatory tariffs for a period of 30 days. On March 4, 2025, the 25 percent tariff imposed by the United States on Canadian-origin imports other than energy products and the 10 percent tariff on energy products came into effect. Also on March 4, 2025, retaliatory tariffs of 25 percent on imports of certain products of the United States worth approximately $30 billion per annum were imposed by Canada with further retaliatory tariffs of 25 percent to be imposed on an additional $125 billion per annum of products of the United States to become effective on March 25, 2025.

On February 4, 2025 the United States imposed a 10 percent tariff against Chinese goods. On March 4, 2025, the United States doubled the tariff to 20 percent. China has announced retaliatory tariffs against certain products of the United States and other trade actions in response to each announcement of tariffs against it.

An additional tariff of 25 percent on global imports of aluminum and steel has been announced by the United States to become effective March 12, 2025.

Risks exist as of the date of this MD&A that: (i) the tariffs and retaliatory tariffs imposed to date will remain in place for an extended period; (ii) additional tariffs and retaliatory tariffs will be implemented between the United States and Canada or between the United States and other nations; (iii) other actions will be taken to restrict or tax the trade of goods between the United States and Canada or between the United States and other nations; and/or (iv) action will be taken to amend or terminate existing trade agreements, including the United States-Mexico-Canada Agreement.

See the "Risk Factors – Tariffs and Other Trade Actions" section of the Annual Information Form for a description of the risks to the Company associated with announced or potential tariffs, export restrictions and/or export taxes. In addition, the existence of the conditions described above increases the Company's exposure to the risks described in the "Risk Factors" section of the Annual Information Form under "Volatility of NGLs, Natural Gas and Oil Prices and Price Differentials", "Uncertainty as to Costs", "Availability of Equipment, Materials and Services", "Market Price of Common Shares", "Investment Risk" and "Hedging, Interest Rates and Foreign Currency Exchange Rates".

CRITICAL ACCOUNTING ESTIMATES

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

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

Reserves Estimates

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

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

Exploration or Development

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

Exploration and Evaluation Projects

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

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

Estimates of Recoverable Amounts

Impairment and impairment reversal assessments are performed when Management identifies an indicator of impairment or impairment reversal. In assessing the existence of impairment or impairment reversal indicators, Management exercises judgment and considers a number of internal and external factors. Estimates of recoverable amounts used in impairment and impairment reversal assessments often incorporate level three fair value hierarchy inputs, including estimated volumes of and future net revenues from proved plus probable reserves, contingent resource estimates, future net cash flow estimates related to other long-lived assets and internal and external market metrics used to estimate fair value based on comparable assets and transactions. By their nature, such estimates are subject to measurement uncertainty. Changes in such estimates and differences between actual and estimated amounts, could materially affect the carrying value of assets and have a material impact on net earnings.

Determination of CGUs

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

Depletion

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

Investments in Securities

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

Asset Retirement Obligations

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

Share-Based Payments

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

Income Taxes

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

PRODUCT TYPE INFORMATION

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

	2024				2023				Annual		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2024	2023	2022
SALES VOLUMES – TOTAL COMPANY BY PRODUCT TYPE											
Shale gas (MMcf/d)	**269.2**	249.0	243.1	268.5	271.8	276.7	246.0	265.2	257.5	265.2	232.9
Conventional natural gas (MMcf/d)	**48.1**	45.5	53.7	50.2	54.4	46.4	44.2	55.4	49.3	49.9	61.8
Natural gas (MMcf/d)	**317.3**	294.5	296.8	318.7	326.2	323.1	290.2	320.6	306.8	315.1	294.7
Condensate (Bbl/d)	**41,243**	36,830	36,825	38,332	37,522	35,984	32,341	34,706	38,311	35,148	31,228
Other NGLs (Bbl/d)	**6,753**	7,045	6,928	6,954	6,698	6,627	5,648	5,916	6,920	6,226	5,650
NGLs (Bbl/d)	**47,996**	43,875	43,753	45,286	44,220	42,611	37,989	40,622	45,231	41,374	36,878
Light and medium crude oil (Bbl/d)	**792**	1,235	1,566	1,595	1,636	1,154	942	2,151	1,296	1,469	2,200
Tight oil (Bbl/d)	**393**	368	466	592	699	627	538	599	454	616	480
Heavy crude oil (Bbl/d)	**407**	337	349	389	433	396	409	460	371	424	–
Crude oil (Bbl/d)	**1,592**	1,940	2,381	2,576	2,768	2,177	1,889	3,210	2,121	2,509	2,680
Total (Boe/d)	**102,477**	94,892	95,609	100,977	101,348	98,644	88,243	97,269	98,490	96,393	88,672

SALES VOLUMES – BY REGION BY PRODUCT TYPE											
GRANDE PRAIRIE REGION											
Shale gas (MMcf/d)	**213.8**	203.0	187.0	201.6	214.1	222.8	196.1	204.0	201.4	209.3	166.9
Conventional natural gas (MMcf/d)	**0.4**	0.2	0.3	0.2	0.3	0.4	0.3	0.4	0.3	0.4	1.3
Natural gas (MMcf/d)	**214.2**	203.2	187.3	201.8	214.4	223.2	196.4	204.4	201.7	209.7	168.2
Condensate (Bbl/d)	**31,330**	28,924	27,936	29,061	32,155	32,145	30,046	31,367	29,317	31,433	27,095
Other NGLs (Bbl/d)	**3,988**	4,723	4,179	4,334	4,742	4,815	4,012	4,074	4,306	4,414	3,394
NGLs (Bbl/d)	**35,318**	33,647	32,115	33,395	36,897	36,960	34,058	35,441	33,623	35,847	30,489
Light and medium crude oil (Bbl/d)	**–**	–	–	–	–	–	–	–	–	–	4
Tight oil (Bbl/d)	**113**	123	147	141	227	220	159	–	131	152	–
Crude oil (Bbl/d)	**113**	123	147	141	227	220	159	–	131	152	4
Total (Boe/d)	**71,130**	67,635	63,480	67,163	72,860	74,381	66,950	69,507	67,363	70,943	58,519

KAYBOB REGION											
Shale gas (MMcf/d)	**35.7**	31.8	35.8	30.6	30.2	28.0	21.7	31.8	33.5	28.2	38.5
Conventional natural gas (MMcf/d)	**44.3**	41.6	48.8	47.7	49.6	41.7	38.4	49.6	45.6	44.6	55.0
Natural gas (MMcf/d)	**80.0**	73.4	84.6	78.3	79.8	69.7	60.1	81.4	79.1	72.8	93.5
Condensate (Bbl/d)	**6,794**	5,943	6,617	6,038	4,003	2,981	1,301	2,315	6,348	2,655	3,192
Other NGLs (Bbl/d)	**1,480**	1,403	1,599	1,480	1,209	1,188	891	988	1,490	1,070	1,620
NGLs (Bbl/d)	**8,274**	7,346	8,216	7,518	5,212	4,169	2,192	3,303	7,838	3,725	4,812
Light and medium crude oil (Bbl/d)	**772**	1,224	1,544	1,573	1,602	1,131	914	2,121	1,277	1,440	2,066
Tight oil (Bbl/d)	**60**	85	80	212	205	104	115	206	109	158	261
Crude oil (Bbl/d)	**832**	1,309	1,624	1,785	1,807	1,235	1,029	2,327	1,386	1,598	2,327
Total (Boe/d)	**22,441**	20,894	23,946	22,353	20,324	17,027	13,238	19,201	22,404	17,449	22,730

	2024				2023				Annual		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2024	2023	2022
CENTRAL ALBERTA AND OTHER REGION											
Shale gas (MMcf/d)	19.7	14.2	20.3	36.3	27.5	25.9	28.2	29.4	22.6	27.7	27.5
Conventional natural gas (MMcf/d)	3.4	3.7	4.6	2.3	4.5	4.3	5.5	5.4	3.4	4.9	5.5
Natural gas (MMcf/d)	23.1	17.9	24.9	38.6	32.0	30.2	33.7	34.8	26.0	32.6	33.0
Condensate (Bbl/d)	3,119	1,963	2,272	3,233	1,364	858	994	1,024	2,646	1,060	941
Other NGLs (Bbl/d)	1,285	919	1,150	1,140	747	624	745	854	1,124	742	636
NGLs (Bbl/d)	4,404	2,882	3,422	4,373	2,111	1,482	1,739	1,878	3,770	1,802	1,577
Light and medium crude oil (Bbl/d)	20	11	22	22	34	23	28	30	19	29	130
Tight oil (Bbl/d)	220	160	239	239	267	303	264	393	214	306	219
Heavy crude oil (Bbl/d)	407	337	349	389	433	396	409	460	371	424	–
Crude oil (Bbl/d)	647	508	610	650	734	722	701	883	604	759	349
Total (Boe/d)	8,906	6,363	8,183	11,461	8,164	7,236	8,055	8,561	8,723	8,001	7,423

Estimated January 2025 sales volumes were approximately 101,500 Boe/d (53% shale gas and conventional natural gas combined, 40% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 7% other NGLs).

2025 average sales volumes are expected to be between 37,500 Boe/d and 42,500 Boe/d (52% shale gas and conventional natural gas combined, 40% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 8% other NGLs).

SPECIFIED FINANCIAL MEASURES

Non-GAAP Financial Measures

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

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

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

A calculation of netback and netback including risk management contract settlements for the years ended December 31, 2024 and 2023 and for the three months ended December 31, 2024 and 2023 is provided in this MD&A under "Operating Results – Netback" and "Fourth Quarter Results – Netback", respectively.

Non-GAAP Ratios

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

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

Capital Management Measures

Adjusted funds flow, free cash flow, net (cash) debt and net debt to adjusted funds flow are capital management measures that Paramount utilizes in managing its capital structure. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Refer to Note 18 – Capital Structure in the Consolidated Financial Statements for a description of the composition and use of these measures. Refer also to 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 (i) the years ended December 31, 2024, 2023 and 2022 is provided in this MD&A under "Consolidated Results – Adjusted Funds Flow" and (ii) the three months ended December 31, 2024, and 2023 is provided in this MD&A under "Fourth Quarter Results – Adjusted Funds Flow".

A reconciliation of free cash flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for (i) the years ended December 31, 2024, 2023 and 2022 is provided in this MD&A under "Consolidated Results – Free Cash Flow" and (ii) the three months ended December 31, 2024, and 2023 is provided in this MD&A under "Fourth Quarter Results – Free Cash Flow".

A calculation of net (cash) debt as at December 31, 2024 and 2023 is provided in this MD&A under the "Liquidity and Capital Resources" section. At December 31, 2024, Paramount's net debt to adjusted funds flow ratio (determined on a trailing four quarter basis) was 0.2x (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:

- planned capital expenditures in 2025 and the allocation thereof;
- expected average sales volumes for 2025 and certain periods therein;
- the expected 2025 exit rate of production;
- pro forma tax pools as at December 31, 2024 and the composition thereof as well as the statement that the Company does not anticipate cash tax to arise on the Grande Prairie Disposition;
- the expected sources of funding for forecast 2025 capital expenditures, abandonment and reclamation expenditures and regular monthly dividends; and
- the anticipation that legal proceedings will not have a material impact on Paramount’s financial position.

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 potential scope and duration of tariffs, export taxes, export restrictions or other trade actions;
- 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, pipelines and other infrastructure;
- 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 Company and third-party facilities, pipelines and other infrastructure, including the Alhambra Plant 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 political and economic conditions, including risks associated with tariffs, export taxes, export restrictions or other trade actions;
- 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, cash flows, 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;
- risks associated with wildfires, including the risk of physical loss or damage to wells, facilities, pipelines and other infrastructure, prolonged disruptions in production, restrictions on the ability to access properties, interruption of electrical and other services and significant delays or changes to planned development activities and facilities maintenance;
- 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, pipelines and other infrastructure, including third-party facilities and the Alhambra Plant 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 Alhambra Plant 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, 2024, 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.

Oil and Gas Measures and Definitions

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

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

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

This MD&A contains disclosures expressed as "Boe", "$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the year ended December 31, 2024, the value ratio between crude oil and natural gas was approximately 72:1. 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.

Consolidated Financial Statements
As at December 31, 2024 and 2023 and for the years then ended

MANAGEMENT'S REPORT

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

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

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

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

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

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

March 4, 2025

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Paramount Resources Ltd.

Opinion

We have audited the consolidated financial statements of Paramount Resources Ltd. and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as at December 31, 2024 and 2023, and the consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

The impact of oil and gas reserves on PP&E

As described in notes 1(e), 1(f), 3 and 6, to the consolidated financial statements, the Company uses oil and gas reserves in the calculation of depletion expense for its developed oil and gas assets included in property, plant and equipment ("PP&E") and to estimate the recoverable amount of the Company's cash generating units if indicators of impairment or impairment reversal are identified. The Company had $1,509.9 million of PP&E and $1,796.1 million of PP&E classified as held for sale at December 31, 2024. Depletion and depreciation expense was $429.9 million for the year ended December 31, 2024.

The Company's oil, natural gas and natural gas liquids reserves were evaluated by independent petroleum engineers (management's expert). Key assumptions developed by management used to determine reserves include forward price estimates, expected future rates of production, future production costs and the timing and amount of future development expenditures.

We considered this a key audit matter due to the judgments by management, including the use of management's expert, and a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the key assumptions.

To test the oil, natural gas and natural gas liquids reserves estimate, our procedures included, among others:

- Evaluating the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Company. The appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the methods and inputs.
- Comparing forward price estimates to those published by other independent third-party reserve evaluators.
- Comparing the 2024 actual production, production costs, and development costs of the Company to those assumptions used in the prior year's estimate of oil and gas reserves to assess the Company's ability to accurately forecast.
- Evaluating the appropriateness of forecasted production and forecasted production costs, and future development costs assumptions by comparing to historical results. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.
- We recalculated depletion and depreciation expense.
- We evaluated the adequacy of the applicable disclosures in the consolidated financial statements in respect of these matters.

Valuation of investments in level three fair value hierarchy securities

As discussed in notes 1(l), 3 and 7 in the consolidated financial statements, the Company measures its Level One and Level Three investments in securities at fair value with the corresponding fair value change recognized in other comprehensive income. The valuation is performed by the Company using a fair value hierarchy: Level One are valuations based on quoted prices (unadjusted) in active markets; and Level Three are valuations based on unobservable inputs for the assets. At December 31, 2024, the Company held investments in Level Three securities of $124.7 million. The fair value of the investments in Level Three securities are based on valuation techniques that incorporate unobservable inputs. These valuation techniques utilize market-based metrics of comparable companies and transactions, indicators of value based on equity transactions of the investments and other indicators of value including financial and operational results of the investments. The valuation of the investments in Level Three securities is a key audit matter given the inherently subjective nature of significant unobservable inputs that require judgment.

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

- For investments with recent equity transactions involving arm's length parties, we agreed the Company's valuation of the investment to the valuation implied within the transaction consideration.
- For entities without recent equity transactions, we involved our internal valuation specialists to evaluate the appropriateness of the underlying valuation methodology used for each significant investment.
- Our internal valuation specialists assessed the implied valuation metrics derived from the Company's valuation conclusions for each investment against that of observable public companies and transactions, as appropriate.
- We confirmed the number of shares owned by the Company.
- We evaluated the completeness and accuracy of the Company's disclosures relating to investments to assess appropriateness and completeness with IFRS disclosure requirements.

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young LLP

Chartered Professional Accountants

Calgary, Alberta
March 4, 2025

CONSOLIDATED BALANCE SHEETS

($ millions)

As at December 31	Note	2024	2023
ASSETS			
Current assets			
Cash and cash equivalents	17	2.4	48.9
Accounts receivable	14	192.6	155.8
Risk management – current	14	8.3	9.9
Prepaid expenses and other		17.4	9.0
Assets held for sale	4	1,903.2	–
		2,123.9	223.6
Investments in securities	7	563.9	540.9
Risk management – long-term	14	1.2	–
Exploration and evaluation	5	427.1	546.6
Property, plant and equipment, net	6	1,509.9	2,874.1
Deferred income tax	13	131.5	203.5
		4,757.5	4,388.7
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	14	227.0	272.5
Risk management – current	14	0.7	–
Asset retirement obligations and other – current	9	30.1	40.5
Liabilities associated with assets held for sale	4	287.1	–
		544.9	313.0
Long-term debt	8	173.0	–
Risk management – long-term	14	4.5	0.5
Asset retirement obligations and other – long-term	9	339.8	576.0
		1,062.2	889.5
Commitments and contingencies	20		
Shareholders' equity			
Share capital	10	2,323.3	2,302.0
Retained earnings		766.7	632.4
Reserves	11	605.3	564.8
		3,695.3	3,499.2
		4,757.5	4,388.7

See the accompanying notes to these Consolidated Financial Statements

On behalf of the Board of Directors

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

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

March 4, 2025

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

($ millions, except as noted)

Year ended December 31	Note	2024	2023
Petroleum and natural gas sales		1,760.2	1,798.5
Royalties		(222.8)	(254.3)
Sales of commodities purchased		317.3	255.1
Revenue	15	1,854.7	1,799.3
Gain on risk management contracts	14	31.8	53.1
		1,886.5	1,852.4
Expenses			
Operating expense		473.9	453.8
Transportation and NGLs processing		135.6	134.4
Commodities purchased		312.0	250.2
General and administrative		48.2	49.4
Share-based compensation	12	43.5	33.4
Depletion and depreciation	6	429.9	401.9
Exploration and evaluation	5	27.3	13.5
Gain on sale of oil and gas assets	5,6	(15.6)	(126.3)
Interest and financing	8,17	7.8	6.5
Accretion of asset retirement obligations	9	42.4	43.2
Other	16	(15.3)	(7.3)
		1,489.7	1,252.7
Income before tax		396.8	599.7
Income tax expense			
Deferred	13	60.9	129.5
		60.9	129.5
Net income		335.9	470.2
Other comprehensive income (loss), net of tax	11		
Items that will be reclassified to net income			
Change in fair value of cash flow hedges, net of tax		(0.7)	(4.1)
Reclassification to net income, net of tax		0.3	(3.4)
Items that will not be reclassified to net income			
Change in fair value of securities, net of tax	7	89.7	(15.5)
Comprehensive income		425.2	447.2
Net income per common share ($/share)	10		
Basic		2.30	3.29
Diluted		2.25	3.17

See the accompanying notes to these Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ millions)

Year ended December 31	Note	2024	2023
Operating activities			
Net income		335.9	470.2
Add (deduct):			
Items not involving cash	17	582.2	482.4
Asset retirement obligations settled	9	(38.1)	(54.6)
Change in non-cash working capital		(64.7)	40.2
Cash from operating activities		815.3	938.2
Financing activities			
Net draw (repayment) of revolving long-term debt	8	173.6	(161.8)
Lease liabilities – principal repayments	9	(3.9)	(4.1)
Dividends	10	(248.2)	(355.4)
Common Shares issued, net of issue costs	10	30.9	16.8
Common Shares purchased under NCIB	10	(22.3)	–
RSU plan	12	(29.5)	(10.4)
Cash used in financing activities		(99.4)	(514.9)
Investing activities			
Capital expenditures	5,6	(842.2)	(732.1)
Land and property acquisitions	5,6	(14.3)	(79.2)
Proceeds of disposition	6,7	126.8	377.3
Investments	7	(1.2)	(1.4)
Change in non-cash working capital		(31.5)	58.7
Cash used in investing activities		(762.4)	(376.7)
Net (decrease) increase		(46.5)	46.6
Foreign exchange on cash and cash equivalents		–	(0.2)
Cash and cash equivalents, beginning of year		48.9	2.5
Cash and cash equivalents, end of year		2.4	48.9

See the accompanying notes to these Consolidated Financial Statements

Supplemental cash flow information 17

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
($ millions, except as noted)

Year ended December 31	Note	2024		2023	
		Shares (millions)		*Shares (millions)*	
Share capital					
Balance, beginning of year		*144.2*	2,302.0	*142.0*	2,267.1
Issued on exercise of Paramount Options	10,12	*3.4*	40.4	*1.8*	22.1
Common Shares purchased & cancelled under NCIB	10	*(0.7)*	(11.2)	–	–
Change in Common Shares for RSU plan	12	–	(7.9)	*0.4*	12.8
Balance, end of year		*146.9*	2,323.3	*144.2*	2,302.0
Retained earnings					
Balance, beginning of year			632.4		517.6
Net income			335.9		470.2
Dividends	10		(248.2)		(355.4)
Common Shares purchased & cancelled under NCIB	10		(11.1)		–
Reclassification of accumulated gain on securities	7,11		57.7		–
Balance, end of year			766.7		632.4
Reserves	11				
Balance, beginning of year			564.8		593.4
Other comprehensive income (loss)			89.3		(23.0)
Contributed surplus			8.9		(5.6)
Reclassification of accumulated gain on securities	7		(57.7)		–
Balance, end of year			605.3		564.8
Shareholders' equity			3,695.3		3,499.2

See the accompanying notes to these Consolidated Financial Statements

1. Summary of Material Accounting Policies

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

Paramount is the ultimate parent company of a consolidated group of companies and is incorporated and domiciled in Canada. The address of the Company's registered office is Suite 4700, 888 – 3rd Street SW, Calgary, Alberta T2P 5C5. At December 31, 2024, the consolidated group included wholly-owned subsidiaries Fox Drilling Limited Partnership ("Fox Drilling"), Cavalier Energy Inc. ("Cavalier Energy") and MGM Energy. The Company amalgamated with Cavalier Energy on January 1, 2025.

These consolidated financial statements, as at December 31, 2024 and 2023 and for the years then ended (the "Consolidated Financial Statements"), were authorized for issuance by Paramount's Board of Directors on March 4, 2025.

Basis of Preparation

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis, except for certain financial instruments. The Company's accounting policies have been applied consistently to all years presented. Amounts in these Consolidated Financial Statements are stated in millions of Canadian dollars, unless otherwise noted. All references to "$" are to Canadian dollars and all references to "US$" are to United States dollars.

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.

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

a) Revenue Recognition

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

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

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

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

b) Cash and Cash Equivalents

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

c) Trade and Other Receivables

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

d) Exploration and Evaluation

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

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

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

e) Property, Plant and Equipment

Petroleum and natural gas assets are carried at cost, net of accumulated depletion and depreciation and include costs related to drilling and completing development wells, infrastructure construction, E&E projects where the technical feasibility and commercial viability were previously established and estimated asset retirement costs.

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

Depletion and Depreciation

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

Capitalized costs of the majority of Paramount's production equipment and gathering systems are depleted on a unit-of-production basis over the volume of estimated proved plus probable reserves ascribed to the property to which they relate. Capitalized costs of processing plants and other major infrastructure assets are depreciated on a straight-line basis over their expected useful lives, which extend for up to 47 years.

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

f) Impairment and Impairment Reversal of Non-Financial Assets

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

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

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

g) Joint Arrangements

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

h) Provisions

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

i) Asset Retirement Obligations

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

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

j) Foreign Currency Translation

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

k) Estimates of Fair Value

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

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

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

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

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

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

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

d) market-corroborated inputs.

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

l) Financial Instruments and Other Comprehensive Income

Financial Instruments

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

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

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

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

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

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

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.

Hedge Accounting

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

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

Other Comprehensive Income

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

m) Impairment of Financial Assets

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

n) Income Taxes

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

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

o) Share-Based Compensation

Paramount Stock Option Plan

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

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

Restricted Share Unit Plan

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

p) Net Income Per Share

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

q) Leases

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

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

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

r) Assets Held for Sale

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

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

2. New and Updated Accounting Policies and Standards

Future Changes in Accounting Standards

In April 2024, the IASB issued *IFRS 18 – Presentation and Disclosure in Financial Statements,* which replaces *IAS 1 – Presentation of Financial Statements* and establishes a revised structure for the financial statements, required disclosures for certain management-defined performance measures and additional requirements for the grouping of information in the financial statements. IFRS 18 is effective for fiscal years beginning on or after January 1, 2027, with early adoption permitted. The Company is in the process of confirming the impact of this new standard on its consolidated financial statements.

In May 2024, the IASB issued amendments to *IFRS 9 – Financial Instruments* and *IFRS 7 – Financial Instruments: Disclosures*. These amendments include clarifications of the dates of recognition and derecognition of some financial assets and liabilities and the classification of certain financial assets. In addition, there are new disclosure requirements related to equity instruments designated as fair value through other comprehensive income. These amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted. The Company is in the process of confirming the impact of this new standard on its consolidated financial statements.

3. Management Judgments, Assumptions & Accounting Estimates

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

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

Reserves Estimates

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

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

Exploration or Development

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

Exploration and Evaluation Projects

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

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

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

Estimates of Recoverable Amounts

Impairment and impairment reversal assessments are performed when Management identifies an indicator of impairment or impairment reversal. In assessing the existence of impairment or impairment reversal indicators, Management exercises judgment and considers a number of internal and external factors. Estimates of recoverable amounts used in impairment and impairment reversal assessments often incorporate level three fair value hierarchy inputs, including estimated volumes of and future net revenues from proved plus probable reserves, contingent resource estimates, future net cash flow estimates related to other long-lived assets and internal and external market metrics used to estimate fair value based on comparable assets and transactions. By their nature, such estimates are subject to measurement uncertainty. Changes in such estimates and differences between actual and estimated amounts, could materially affect the carrying value of assets and have a material impact on net earnings.

Determination of CGUs

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

Depletion

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

Investments in Securities

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

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

Asset Retirement Obligations

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

Share-Based Payments

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

Income Taxes

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

4. Assets Held for Sale and Special Distribution

On January 31, 2025, Paramount closed the sale of its Karr, Wapiti and Zama properties (the "Assets") to a wholly-owned subsidiary of Ovintiv Inc. ("Ovintiv") in exchange for approximately $3.3 billion in cash, after adjustments, plus certain Horn River Basin properties of Ovintiv (the "Grande Prairie Disposition"). Ovintiv assumed Paramount's processing and transportation commitments related to the Assets.

The Grande Prairie Disposition was made pursuant to a purchase and sale agreement dated November 13, 2024 and, as a result, the assets and liabilities associated with the Grande Prairie Disposition have been presented as held for sale at December 31, 2024 as follows:

As at December 31	2024
Property, plant and equipment, net	1,796.1
Exploration and evaluation	107.1
Assets held for sale	1,903.2
Asset retirement obligations	286.7
Lease liabilities	0.4
Liabilities associated with assets held for sale	287.1

The Company used a portion of the proceeds from the Grande Prairie Disposition to pay a special cash distribution of $15.00 per Common Share (totaling $2,148 million) on February 14, 2025 (the "Special Distribution"), comprised of a $12.00 return of capital (totaling $1,718 million) and a $3.00 special dividend (totaling $430 million).

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

5. Exploration and Evaluation

Year ended December 31	2024	2023
Balance, beginning of year	546.6	485.7
Additions	15.7	0.4
Acquisitions	14.0	66.2
Change in asset retirement provision	1.2	1.5
Transfers to property, plant and equipment	(16.2)	(2.2)
Expired lease costs	(14.6)	(3.3)
Dispositions	(12.5)	(1.7)
Transfer to assets held for sale (see Note 4)	(107.1)	–
Balance, end of year	427.1	546.6

Exploration and Evaluation Expense

Year ended December 31	2024	2023
Geological and geophysical expense	12.7	10.2
Expired lease costs	14.6	3.3
	27.3	13.5

At December 31, 2024, the Company assessed its E&E assets for indicators of potential impairment or impairment reversal and none were identified.

6. Property, Plant and Equipment

Year ended December 31, 2024	Petroleum and natural gas assets	Drilling rigs	Right-of-use assets	Other	Total
Cost					
Balance, December 31, 2023	5,412.3	175.8	29.7	57.4	5,675.2
Additions	820.6	8.4	3.6	6.0	838.6
Transfers	16.2	–	–	–	16.2
Dispositions	(97.6)	–	(1.8)	–	(99.4)
Derecognition	–	(9.0)	(1.2)	–	(10.2)
Change in asset retirement provision	36.4	–	–	–	36.4
Transfer to assets held for sale (See Note 4)	(3,443.3)	–	(0.8)	–	(3,444.1)
Cost, December 31, 2024	2,744.6	175.2	29.5	63.4	3,012.7
Accumulated depletion and depreciation					
Balance, December 31, 2023	(2,664.2)	(96.9)	(8.9)	(31.1)	(2,801.1)
Depletion and depreciation	(402.5)	(10.5)	(4.3)	(6.1)	(423.4)
Dispositions	61.7	–	1.8	–	63.5
Derecognition	–	9.0	1.2	–	10.2
Transfer to assets held for sale (See Note 4)	1,647.5	–	0.5	–	1,648.0
Accumulated depletion and depreciation, December 31, 2024	(1,357.5)	(98.4)	(9.7)	(37.2)	(1,502.8)
Net book value, December 31, 2023	2,748.1	78.9	20.8	26.3	2,874.1
Net book value, December 31, 2024	1,387.1	76.8	19.8	26.2	1,509.9

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

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

In February 2024, Paramount sold certain non-core Kaybob assets for $45.4 million cash and the retention of a 2 percent no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets. The Company recognized a $14.3 million gain on sale of oil and gas assets in 2024 in connection with the transaction.

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

Year ended December 31	2024	2023
Depletion and depreciation	**415.3**	382.0
Change in asset retirement obligations	**14.6**	19.9
	429.9	401.9

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

For the year ended December 31, 2024, the Company recorded a charge of $14.6 million (December 31, 2023 – $19.9 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. In 2024, the changes mainly resulted from a reduction in the credit-adjusted risk-free rate used to discount obligations from 7.75 percent per annum to 7.0 percent per annum (2023 – reduction in the credit-adjusted risk-free rate from 8.5 percent per annum to 7.75 percent per annum).

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

7. Investments in Securities

As at December 31	2024	2023
Level One Securities	439.2	422.0
Level Three Securities	124.7	118.9
	563.9	540.9

Level One Securities at December 31, 2024 included 31.3 million shares of NuVista Energy Ltd. ("NuVista Shares") (December 31, 2023 – 37.3 million NuVista Shares), which had a carrying value of $431.9 million (December 31, 2023 – $411.3 million).

In 2024, Paramount sold a portion of its Level One Securities, including 6.0 million NuVista Shares, for aggregate cash proceeds of $79.0 million, resulting in $57.7 million of accumulated gains, net of tax, being reclassified from reserves to retained earnings.

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

The Company recorded a before tax gain of $100.9 million to OCI for the year ended December 31, 2024 (2023 – loss of $17.1 million) related to changes in the fair values of investments in securities.

Changes in investments in securities are as follows:

Year ended December 31	2024	2023
Investments in securities, beginning of year	540.9	557.1
Changes in fair value of Level One Securities	95.0	(56.6)
Changes in fair value of Level Three Securities	5.9	39.5
Changes in fair value of warrants – recorded in earnings	(0.1)	(0.5)
Acquired	1.2	1.4
Proceeds of dispositions	(79.0)	–
Investments in securities, end of year	563.9	540.9

In February 2025, Paramount sold all of its shares in Westbrick Energy Ltd., a Level Three Security, for cash consideration of $33.9 million. The carrying value of these shares was $33.2 million at December 31, 2024.

8. Long-Term Debt

As at December 31	2024	2023
Paramount Facility [(1)]	173.0	–

(1) Presented net of $0.6 million in unamortized transaction costs at December 31, 2024.

At December 31, 2024, Paramount had a $1.0 billion financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility") with a maturity date of May 3, 2026. On January 31, 2025, the capacity of the Paramount Facility was adjusted to $500 million and the maturity date was extended to January 31, 2029 in conjunction with the closing of the Grande Prairie Disposition. The Company repaid all outstanding drawings on the Paramount Facility on January 31, 2025.

Borrowings under the Paramount Facility bear interest at the prime lending rate, US base rate, Canadian Overnight Repo Rate Average (CORRA) or the United States Secured Overnight Financing Rate (SOFR), as selected by the Company, plus applicable margins which vary based on the Company's Senior Secured Debt to Consolidated EBITDA ratio. The Paramount Facility is secured by a charge over substantially all of the assets of the Company and its subsidiaries.

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

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

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

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

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

The Paramount Facility contains a covenant requiring prior lender consent for the payment of dividends and other distributions if the Senior Secured Debt to Consolidated EBITDA ratio is greater than 2.50 to 1.00 pro forma the payment of the distribution. In addition, following payment of the Special Distribution in February 2025 (see Note 4), until the Company achieves average quarterly production of at least 55,000 Boe/d for two consecutive fiscal quarters ("Minimum Production"), prior lender consent is required for distributions other than (i) any regular monthly dividend approved by Paramount's board of directors; or (ii) any repurchase by the Company of its Common Shares pursuant to a normal course issuer bid.

At Paramount's request, the capacity of the Paramount Facility can be increased from $500 million to up to $750 million pursuant to an accordion feature in the facility, subject to incremental lender commitments and the Company achieving Minimum Production.

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

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling $7.5 million at December 31, 2024 (December 31, 2023 – $3.1 million) that reduce the amount available to be drawn on the facility.

Unsecured Letter of Credit Facility

The Company has a $90 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank. Paramount's obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada. In January 2025, the term of the PSG was extended from June 30, 2025 to June 30, 2026. At December 31, 2024, $29.4 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2023 – $30.1 million).

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

9. Asset Retirement Obligations and Other

As at December 31, 2024	Current	Long-term	Total
Asset retirement obligations	26.5	314.5	341.0
Lease liabilities	3.6	25.3	28.9
Asset retirement obligations and other	**30.1**	**339.8**	**369.9**

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

Year ended December 31	2024	2023
Asset retirement obligations, beginning of year	587.3	540.1
Additions	1.6	5.9
Change in estimates	2.3	10.5
Change in discount rate	48.3	42.8
Obligations settled	(38.1)	(54.6)
Dispositions	(16.1)	(0.6)
Transfer to liabilities associated with assets held for sale (see Note 4)	(286.7)	–
Accretion expense	42.4	43.2
Asset retirement obligations, end of year	341.0	587.3

Asset retirement obligations have been determined using a credit-adjusted risk-free discount rate of 7.0 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). These obligations are expected to be settled over the next 51 years.

Lease Liabilities

Year ended December 31	2024	2023
Lease liabilities, beginning of year	29.2	18.0
Additions	3.6	14.7
Interest expense	2.0	1.5
Transfer to liabilities associated with assets held for sale (see Note 4)	(0.4)	–
Obligations settled	(5.5)	(5.0)
Lease liabilities, end of year	28.9	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 year ended December 31, 2024, total cash principal payments made in respect of these lease liabilities were $3.9 million, (2023 – $4.1 million).

For the year ended December 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 $2.5 million (2023 – $2.1 million).

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

At December 31, 2024, the undiscounted minimum lease payments payable by the Company under lease arrangements are as follows:

Within one year	5.5
After one year but not more than five years	15.3
More than five years	19.2
	40.0

10. Share Capital

Paramount's authorized share capital consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares, issuable in series. At December 31, 2024, 146.9 million (December 31, 2023 – 144.2 million) Common Shares were outstanding, net of 0.4 million (December 31, 2023 – 0.4 million) Common Shares held in trust under the RSU plan. No preferred shares were issued and outstanding as at December 31, 2024 or December 31, 2023.

For the year ended December 31, 2024, the Company paid total cash dividends of $1.70 per Common Share or $248.2 million (2023 – $2.50 per Common Share or $355.4 million comprised of a special dividend of $1.00 per Common Share or $142.9 million and regular monthly dividends totaling $1.50 per Common Share or $212.5 million). Subsequent to December 31, 2024, the Company paid regular monthly cash dividends of $0.15 per Common Share or $22.1 million on January 31, 2025 and $0.05 per Common Share or $7.2 million on February 28, 2025. The Company also paid the $15.00 per Common Share Special Distribution on February 14, 2025. In March 2025, Paramount's Board of Directors declared a cash dividend of $0.05 per Common Share to be payable on March 31, 2025 to shareholders of record on March 17, 2025.

In July 2024, Paramount implemented a normal course issuer bid (the "2024 NCIB") under which the Company may purchase up to 7.9 million Common Shares for cancellation. The 2024 NCIB will terminate on the earlier of July 7, 2025 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2024 NCIB are purchased. Purchases of Common Shares under the 2024 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 purchased and cancelled 722,300 Common Shares at a total cost of $22.3 million under the 2024 NCIB to December 31, 2024. The total cost of $22.3 million exceeded the average carrying value of the Common Shares purchased of $11.2 million, with the difference of $11.1 million charged to retained earnings. Subsequent to December 31, 2024, Paramount purchased and cancelled an additional 4,945,000 Common Shares under the 2024 NCIB at a total cost of $154.7 million.

Paramount previously implemented a normal course issuer bid in July 2023. No shares were purchased under that normal course issuer bid, which expired on July 5, 2024.

For the year ended December 31, 2024, Paramount issued 3.4 million Common Shares on the exercise of Paramount Options for total cash consideration of $30.9 million (see Note 12) (2023 – 1.8 million Common Shares for total consideration of $16.8 million).

Net Income Per Common Share – Basic and Diluted

Year ended December 31	2024	2023
Net income – basic and diluted	335.9	470.2
Basic – weighted average Common Shares (millions)	146.0	143.1
Dilutive effect of Paramount Options (millions)	3.2	5.2
Diluted – weighted average Common Shares (millions)	149.2	148.3
Net income per Common Share – basic ($/share)	2.30	3.29
Net income per Common Share – diluted ($/share)	2.25	3.17

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

For the year ended December 31, 2024, 3.9 million Paramount Options were anti-dilutive (2023 – 4.4 million).

11. Reserves

Reserves at December 31, 2024 include unrealized gains and losses on cash flow hedges, unrealized gains and losses related to changes in the market value of investments in securities and contributed surplus amounts in respect of Paramount Options and the RSU plan.

The changes in reserves are as follows:

Year ended December 31, 2024	Unrealized gains (losses) on cash flow hedges	Unrealized gains (losses) on securities	Contributed surplus	Total reserves
Balance, beginning of year	0.8	384.4	179.6	564.8
Other comprehensive income (loss), before tax	(0.5)	100.9	–	100.4
Deferred tax	0.1	(11.2)	–	(11.1)
Reclassification of accumulated gain on securities, net of tax (see Note 7)	–	(57.7)	–	(57.7)
Share-based compensation (see Note 12)	–	–	18.4	18.4
Paramount Options exercised	–	–	(9.5)	(9.5)
Balance, end of year	**0.4**	**416.4**	**188.5**	**605.3**

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

12. Share-Based Compensation

Paramount Options

	2024		2023	
	Paramount Options (millions)	Weighted average exercise price ($/share)	*Paramount Options (millions)*	Weighted average exercise price ($/share)
Balance, beginning of year	*11.8*	17.11	*11.3*	13.55
Granted	*0.2*	29.37	*2.6*	27.09
Exercised [1]	*(3.4)*	9.05	*(1.8)*	9.14
Cancelled or forfeited	*(0.3)*	22.72	*(0.3)*	16.04
Expired	*(0.1)*	31.75	–	–
Balance, end of year	*8.2*	20.52	*11.8*	17.11
Options exercisable, end of year	*3.1*	16.90	*4.0*	10.72

(1) For Paramount Options exercised during the year ended December 31, 2024, the weighted average market price of Common Shares on the dates exercised was $29.31 per share (2023 – $31.18 per share).

The weighted average remaining contractual life and exercise prices of Paramount Options outstanding as at December 31, 2024 are as follows:

	Paramount Options Outstanding			Paramount Options Exercisable		
Exercise Price	Number (millions)	Remaining contractual life (years)	Weighted average exercise price	Number (millions)	Remaining contractual life (years)	Weighted average exercise price
$3.84 – $14.99	1.7	1.1	4.63	1.1	0.9	4.97
$15.00 – $19.99	1.8	2.3	16.24	0.8	2.3	16.23
$20.00 – $26.99	2.3	4.3	26.83	0.4	4.2	26.80
$27.00 – $32.51	2.4	3.3	28.80	0.8	3.3	28.79
	8.2	**2.9**	**20.52**	**3.1**	2.3	**16.90**

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

	Options granted in 2024	Options granted in 2023
Weighted average exercise price ($ / share)	29.37	27.09
Volatility (%)	34	34
Expected life (years)	3.7	3.9
Pre-vest annual forfeiture rate (%)	13.0	11.4
Risk-free interest rate (%)	3.6	3.7
Dividend yield (%)	5.8	5.7
Weighted average fair value of awards ($ / option)	5.12	5.06

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

In connection with the Special Distribution, in February 2025:

i. all outstanding unvested Paramount Options with an exercise price less than $15.00 were vested;

ii. 902,805 Paramount Options were surrendered by holders in consideration for cash payments by Paramount totaling $22.0 million, calculated as the difference between the market price of the Common Shares and the exercise price of the applicable Paramount Options surrendered; and

iii. the exercise price of all Paramount Options with an exercise price of greater than $15.00 was reduced by $15.00.

At February 28, 2025, Paramount had 143.0 million Common Shares outstanding (net of 0.3 million Common Shares held in trust under the Company's RSU plan) and 6.3 million Paramount Options outstanding, of which 1.8 million Paramount Options are exercisable.

Restricted Share Unit Plan – Shares Held in Trust

	2024		2023	
Year ended December 31	***Shares (millions)***		***Shares (millions)***	
Balance, beginning of year	*0.4*	3.4	*0.8*	16.2
Net change in vested and unvested shares	–	7.9	*(0.4)*	(12.8)
Balance, end of year	*0.4*	11.3	*0.4*	3.4

Employee Benefit Costs

Year ended December 31	2024	2023
Paramount Option plan	11.6	11.9
RSU plan	31.9	21.5
Share-based compensation expense	43.5	33.4
Salaries and benefits	63.3	61.5
	106.8	94.9

13. Income Tax

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

Year ended December 31	2024	2023
Income before tax	396.8	599.7
Effective statutory income tax rate	23.0%	23.0%
Expected income tax expense	91.3	137.9
Effect of:		
Change in statutory and other rates	0.3	0.2
Share-based compensation	1.7	2.7
Change in unrecognized deferred income tax asset	(31.8)	(9.2)
Non-deductible items and other	(0.6)	(2.1)
Income tax expense	60.9	129.5

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

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

As at December 31	2024	2023
Property, plant and equipment	(435.8)	(526.5)
Investments in securities	(53.7)	(52.8)
Asset retirement obligations and liabilities associated with assets held for sale	144.5	135.2
Non-capital losses and scientific research & experimental development	460.6	632.4
Other	15.9	15.2
Deferred income tax asset	131.5	203.5

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

Year ended December 31	2024	2023
Deferred income tax asset, beginning of year	203.5	329.1
Deferred income tax expense	(60.9)	(129.5)
Deferred income tax expense included in OCI	(11.1)	3.9
Deferred income tax asset, end of year	131.5	203.5

At December 31, 2024, the Company had $157.6 million (December 31, 2023 – $103.8 million) of deductible temporary differences that do not expire and for which no deferred income tax asset has been recognized.

14. Financial Instruments and Risk Management

Financial Instruments

Financial instruments at December 31, 2024 consist of cash and cash equivalents, accounts receivable, risk management assets and liabilities, investments in securities, accounts payable and the Paramount Facility. The carrying values of these financial instruments approximate their fair values.

Risk Management

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

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.

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

Changes in the fair value of risk management assets and liabilities for the year ended December 31, 2024 are as follows:

Year ended December 31, 2024	Financial commodity contracts [3]	Foreign currency exchange contracts	Electricity swaps	Total
Fair value of asset (liability), beginning of year	–	8.4	1.0	9.4
Changes in fair value – profit or loss [1]	49.3	(17.5)	–	31.8
Changes in fair value – OCI	–	–	(0.8)	(0.8)
Risk management contract settlements (received) paid [2]	(45.5)	9.1	0.3	(36.1)
Fair value of asset (liability), end of year	3.8	–	0.5	4.3
Risk management asset – current	8.3	–	–	8.3
Risk management asset – long-term	–	–	1.2	1.2
Risk management asset, December 31, 2024	8.3	–	1.2	9.5
Risk management liability – current	–	–	(0.7)	(0.7)
Risk management liability – long-term	(4.5)	–	–	(4.5)
Risk management liability, December 31, 2024	(4.5)	–	(0.7)	(5.2)

(1) Changes in fair value of $31.8 million related to financial commodity and foreign currency exchange contracts are recorded as gains on risk management contracts.
(2) Net receipts on risk management contract settlements related to financial commodity and foreign currency exchange contracts totaled $36.4 million. Risk management contract settlements relating to electricity swaps are recorded in operating expense.
(3) Financial commodity contracts include an embedded derivative with a liability of $2.4 million.

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

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

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

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

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

Instruments	Aggregate notional	Average price or rate	Remaining term
Financial Commodity Contracts			
Oil			
NYMEX WTI Swaps (Sale) (1)	5,000 Bbl/d	$105.00/Bbl	January 2025 – December 2025
Natural Gas			
Citygate / Malin Basis Swap (2)	10,000 MMBtu/d	Citygate less US$1.03/MMBtu (Sell) Malin (Buy)	January 2025 – October 2027
Electricity Contracts (3)			
Swaps (Buy)	240 MWh/d	$71.13/MWh	January 2025 – December 2025
Swaps (Buy)	120 MWh/d	$58.79/MWh	January 2025 – December 2029
Swaps (Buy)	120 MWh/d	$58.19/MWh	January 2026 – December 2028
Swaps (Buy)	120 MWh/d	$61.73/MWh	January 2026 – December 2030

(1) "NYMEX" means New York Mercantile Exchange and "WTI" means West Texas Intermediate.
(2) "Citygate" refers to Pacific Gas & Electric Citygate and "Malin" refers to Pacific Gas & Electric Malin. Pursuant to the swap transaction Paramount sells at Citygate less US$1.03/MMBtu and buys at Malin. The transaction is financially settled with no physical delivery.
(3) Reference electricity rate: Floating hourly rate established by the Alberta Electric System Operator ("AESO"). "MWh" means megawatt-hour.

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

Instruments	Aggregate notional	Average price	Term
NYMEX WTI Swaps (Sale) (1)	5,000 Bbl/d	$105.00/Bbl	January 2025 – December 2025

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

In April 2024, Paramount entered into NYMEX WTI swaps (sale) in respect of 14,250 Bbl/d of oil at an average price of $111.67/Bbl from April 2024 to December 2024. In June 2024, the Company terminated and closed out the outstanding portion of these swaps for aggregate cash proceeds of $37.9 million.

In March 2024, Paramount entered into mixed sweet blend / WTI differential swaps (sale) in respect of 5,000 Bbl/d of oil at WTI less US$2.56/Bbl from May 2024 to December 2024. In July 2024, the Company terminated and closed out the outstanding portion of these swaps for aggregate cash proceeds of $2.0 million.

In 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 received is based on the Argus Propane Monthly Far East Index less deductions for transportation, fuel and other charges. As a result of the pricing formula, the contract contains an embedded derivative. Changes in the fair value of this derivative are reflected as gains or losses on risk management contracts in net earnings. The Company has identified the host contract as a propane sales agreement with a Conway propane price.

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

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

Paramount entered into electricity swap (buy) contracts in July 2024 that were designated as cash flow hedges, to manage exposure to variable market prices by fixing the underlying AESO Pool Price on a portion of the Company's anticipated power requirements between 2025 and 2030. A hedge ratio of 1 to 1 was established as the underlying risk of the electricity swaps were identical to the hedged risk components (electricity costs paid on the AESO Pool Price).

The Company has classified its electricity swaps as cash flow hedges and applied hedge accounting. There were no changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified at December 31, 2024.

Commodity Price Risk

Paramount uses financial commodity contracts from time to time to manage exposure to commodity price volatility. The Company is exposed to commodity price risk on these instruments, as changes in underlying commodity prices impact the market values of the contracts and ultimately the amounts received or paid upon settlement.

The following table summarizes the sensitivity of the fair value of Paramount's financial commodity contracts outstanding at December 31, 2024 to independent fluctuations in commodity prices, with other variables held constant. The impact of fluctuating commodity prices on the Company's December 31, 2024 open financial commodity contract positions would have resulted in an unrealized gain (loss) impacting income before income tax as follows: (1)

	WTI Crude Oil		**Natural Gas Price Spread**	
	Increase	Decrease	Increase	Decrease
Income before income tax	(13.0)	13.0	7.3	(7.3)

(1) Sensitivities are based on a US$5.00 per barrel increase or decrease in the price of WTI crude oil and a US$0.50 per MMBtu increase or decrease in the spread between the natural gas benchmark prices at Pacific Gas & Electric at Citygate and Pacific Gas & Electric Malin, assuming all other variables are constant.

Foreign Currency Exchange Risk

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

The following table summarizes the sensitivity of the fair value of Paramount's financial commodity contracts and U.S. dollar denominated financial instruments outstanding at December 31, 2024 to independent fluctuations in foreign currency exchange rates, with all other variables held constant. The impact of fluctuating foreign currency exchange rates on the Company's December 31, 2024 open financial commodity contract positions and U.S. dollar denominated financial instruments would have resulted in an unrealized gain (loss) impacting income before income tax as follows: (1)

	Increase in Foreign Currency Exchange Rate	**Decrease in Foreign Currency Exchange Rate**
Income before income tax	(5.1)	5.1

(1) Sensitivities are based on a $0.05 increase or decrease in $/US$ foreign currency exchange rates at December 31, 2024, assuming all other variables are constant.

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

Credit Risk

Paramount is exposed to credit risk on its financial instruments where a loss would be experienced if a counterparty to a financial asset failed to meet its obligations. The maximum credit risk exposure at December 31, 2024 is limited to the carrying value of accounts receivable and risk management assets.

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

Interest Rate Risk

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

Liquidity Risk

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

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

The Company's contractual obligations related to financial liabilities at December 31, 2024 were as follows:(1)

	2025	2026	Total
Accounts payable & accrued liabilities	227.0	–	227.0
Paramount Facility (2)	–	173.6	173.6
	227.0	**173.6**	**400.6**

(1) Excludes lease liabilities and risk management liabilities.
(2) Subsequent to December 31, 2024, the maturity of the Paramount Facility was extended to January 31, 2029 and all drawings on the Paramount Facility were repaid.

Accounts Payable and Accrued Liabilities

As at December 31	2024	2023
Trade and accrued payables	**223.7**	271.5
Joint operation and other payables	**3.3**	1.0
	227.0	272.5

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

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

Accounts Receivable

As at December 31	2024	2023
Revenue receivable	162.1	133.2
Joint operation and other receivables	30.5	22.6
	192.6	155.8

Revenue, joint operation and other receivables are non-interest bearing and are generally settled within 30 days. Accounts receivable that share similar credit risk characteristics are assessed for expected credit losses at each reporting date, including for changes in historical default rates, ages of balances outstanding and counterparty credit metrics. The total expected credit loss on the Company's accounts receivable was approximately 2 percent as at December 31, 2024 (December 31, 2023 – 2 percent).

For the year ended December 31, 2024, the Company had sales to one customer totaling $419.1 million (2023 – $444.4 million), which exceeded ten percent of total sales. The customer has an investment grade credit rating.

15. Revenue By Product

Year ended December 31	2024	2023
Natural gas	223.3	349.1
Condensate and oil	1,434.9	1,364.2
Other natural gas liquids	89.6	81.9
Royalty income and other revenue	12.4	3.3
Royalties	(222.8)	(254.3)
Sales of commodities purchased	317.3	255.1
	1,854.7	1,799.3

Royalty income and other revenue for the year ended December 31, 2024 includes $10.0 million related to an interim payment from insurers for 2023 Alberta wildfire losses. The Company continues to advance its insurance claims process for these losses.

16. Other

Year ended December 31	2024	2023
Dividend income	(12.3)	(8.4)
Interest income	(1.9)	(3.3)
Provisions	(0.5)	2.5
Other	(0.6)	1.9
	(15.3)	(7.3)

Dividend Income

Paramount received total cash dividends of $12.3 million in 2024 (2023 – $8.4 million) on its investments in securities, including $11.8 million (2023 – $7.8 million) from Sultran Ltd.

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

17. Consolidated Statement of Cash Flows – Selected Information

Items Not Involving Cash

Year ended December 31	2024	2023
Risk management contracts	4.6	(6.4)
Share-based compensation	43.5	33.4
Depletion and depreciation	429.9	401.9
Exploration and evaluation	14.6	3.3
Gain on sale of oil and gas assets	(15.6)	(126.3)
Accretion of asset retirement obligations	42.4	43.2
Deferred income tax	60.9	129.5
Other	1.9	3.8
	582.2	482.4

Supplemental Cash Flow Information

Year ended December 31	2024	2023
Interest paid	4.2	0.9
Interest received	1.9	3.3

Components of Cash and Cash Equivalents

As at December 31	2024	2023
Cash	2.4	48.9
Cash equivalents	–	–
	2.4	48.9

18. Capital Structure

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

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

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

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

iii. maximize shareholder returns considering the risk environment.

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

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

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

Net (Cash) Debt

Net (cash) debt, in conjunction with capacity under existing credit facilities, is used to monitor and assess liquidity by providing Management and investors with a measure of the Company's overall leverage position.

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

As at December 31	2024	2023
Cash and cash equivalents	(2.4)	(48.9)
Accounts receivable [(1)]	(191.8)	(155.0)
Prepaid expenses and other	(17.4)	(9.0)
Accounts payable and accrued liabilities	227.0	272.5
Long-term debt	173.0	–
Net (cash) debt	188.4	59.6

(1) Excludes accounts receivable relating to lease incentives (December 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:

Year ended December 31	2024	2023
Cash from operating activities	815.3	938.2
Change in non-cash working capital	64.7	(40.2)
Geological and geophysical expense	12.7	10.2
Asset retirement obligations settled	38.1	54.6
Closure costs	–	–
Provisions	(0.5)	2.5
Settlements	–	–
Transaction and reorganization costs	–	–
Adjusted funds flow	930.3	965.3

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.

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

	2024	2023
Net (cash) debt, as at December 31	188.4	59.6
Adjusted funds flow, trailing four quarters ended December 31	930.3	965.3
Net debt to adjusted funds flow ratio, December 31	0.2x	0.1x

Free Cash Flow

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

The calculation of free cash flow is as follows:

Year ended December 31	2024	2023
Cash from operating activities	815.3	938.2
Change in non-cash working capital	64.7	(40.2)
Geological and geophysical expense	12.7	10.2
Asset retirement obligations settled	38.1	54.6
Closure costs	–	–
Provisions	(0.5)	2.5
Settlements	–	–
Transaction and reorganization costs	–	–
Adjusted funds flow	930.3	965.3
Capital expenditures	(842.2)	(732.1)
Geological and geophysical expense	(12.7)	(10.2)
Asset retirement obligations settled	(38.1)	(54.6)
Free cash flow	37.3	168.4

19. Compensation of Key Management Personnel

Year ended December 31	2024	2023
Salaries and benefits	5.7	3.0
Share-based compensation	8.8	7.9
	14.5	10.9

20. Commitments and Contingencies

Paramount had the following commitments as at December 31, 2024:

	Within one year	After one year but not more than five years	More than five years
Petroleum and natural gas transportation and processing commitments	247.8	970.2	1,461.0
Other commitments	6.7	5.0	–
	254.5	975.2	1,461.0

In connection with the Grande Prairie Disposition, which closed on January 31, 2025, Ovintiv assumed Paramount's processing and transportation commitments related to the Assets. These commitments totaled approximately $1.4 billion at December 31, 2024.

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

Commitments – Physical Sales Contracts

The Company had the following fixed-price and basis differential physical contracts at December 31, 2024:

	Volume	Location	Average price	Term
Natural gas (Sale)	19,327 GJ/d	Dawn	AECO + $2.06/GJ	January 2025 – October 2025
Natural gas	38,654 GJ/d	AECO / Dawn Basis	$1.59/GJ	November 2025 – October 2027

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.

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
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Calgary, Alberta

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

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

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

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

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

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

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

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McDaniel & Associates Consultants Ltd.
Calgary, Alberta

AUDITORS

Ernst & Young LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
("POU")