First Quarter 2019 Results

Paramount Resources Ltd. Reports First Quarter 2019 Results: Adjusted Funds Flow of $100.5 million, Sales Volumes Average 81,296 Boe/d

Calgary, Alberta – May 8, 2019

OIL AND GAS OPERATIONS

- Sales volumes averaged 81,296 Boe/d (37 percent liquids) in the first quarter of 2019.
- Paramount's netback increased 61 percent to $115.7 million in the first quarter of 2019 compared to $72.0 million in the fourth quarter of 2018, mainly due to a 26 percent average increase in realized prices.
- The liquids-rich Karr development accounted for $52.8 million (46 percent) of the Company's total netback in the first quarter.
- Adjusted funds flow increased 121 percent to $100.5 million ($0.77 per share) in the first quarter of 2019 compared to $45.5 million ($0.35 per share) in the prior quarter.
- The Company is delivering test volumes from its Wapiti 9-3 pad as part of the commissioning of the new third-party processing plant. First sales are expected in May 2019.
- Paramount is reaffirming its 2019 production guidance, including first half average sales volumes of between 80,000 Boe/d and 81,000 Boe/d and annual average sales volumes of between 81,000 Boe/d and 85,000 Boe/d. Production is expected to increase in the second half of the year as Wapiti ramps up, with fourth quarter sales volumes expected to average between 85,000 Boe/d and 90,000 Boe/d.
- First quarter base capital spending totaled $68.6 million, primarily related to drilling and completion programs at Wapiti and Kaybob Montney Oil.
- The Company's $350 million base capital budget for 2019 remains unchanged.
- The expansion of the Karr 6-18 natural gas facility (the "6-18 Facility") remains on track for start-up in the second half of 2020. First quarter spending on the project totaled $34.5 million. Total forecast spending for the project for 2019 remains at $145 million. The Company continues to evaluate funding alternatives to complete the project.
- Paramount's natural gas diversification strategy includes approximately 122,000 GJ/d of sales under long-term contracts priced at the Dawn, US Midwest and Malin markets. The Company's average realized natural gas sales price for the first quarter of 2019 was $3.37/Mcf compared to average AECO prices of $2.17/GJ.
- The Company has 15,000 Bbl/d of liquids hedged for the remainder of 2019 at an average price of $77.58/Bbl and 3,000 Bbl/d hedged for 2020 at an average price of $80.07/Bbl.
- The Company's net debt position was $903.3 million as at March 31, 2019, relatively unchanged from December 31, 2018, as first quarter capital spending was largely funded by cash flow.

REVIEW OF OPERATIONS

Paramount's sales volumes averaged 81,296 Boe/d in the first quarter of 2019. The Company's first quarter netback increased 61 percent to $115.7 million from $72.0 million in the fourth quarter of 2018. First quarter 2019 adjusted funds flow increased 121 percent to $100.5 million compared to $45.5 million in the prior quarter.

Base capital spending totaled $68.6 million in the first quarter of 2019, primarily related to drilling and completion programs at Wapiti and Kaybob Montney Oil. Total capital spending in the first quarter of 2019, including spending related to the 6-18 Facility expansion, corporate projects and land acquisitions, was $104.1 million.

GRANDE PRAIRIE REGION

Karr

	Q1 2019		Q4 2018		*% Change*
Sales volumes					
Natural gas (MMcf/d)	**75.0**		74.7		—
Condensate and oil (Bbl/d)	**10,712**		12,222		*(12)*
Other NGLs (Bbl/d)	**1,579**		1,609		*(2)*
Total (Boe/d)	**24,786**		26,282		*(6)*
% liquids	***50%***		*53%*		
Netback	($ millions)	*($/Boe)*	($ millions)	*($/Boe)*	*% Change in $ millions*
Petroleum and natural gas sales	**89.0**	***39.89***	82.2	*33.98*	*8*
Royalties	**(7.4)**	***(3.31)***	(3.7)	*(1.54)*	*100*
Operating expense	**(21.4)**	***(9.59)***	(24.4)	*(10.10)*	*(12)*
Transportation and NGLs processing	**(7.4)**	***(3.33)***	(7.3)	*(3.04)*	*1*
	52.8	***23.66***	46.8	*19.30*	*13*

First quarter 2019 sales volumes at the Karr development averaged 24,786 Boe/d compared to 26,282 Boe/d in the fourth quarter of 2018. First quarter production was impacted by an unplanned outage at a downstream third-party processing facility in February and the effects of severe cold weather. The 6-18 Facility achieved an overall runtime rate of 98 percent in the first quarter, excluding the duration of the unplanned third-party outage. The decrease in operating expenses in the first quarter was primarily due to lower processing fees and reduced water disposal costs. A higher-rate water injection system was installed at the 6-18 Facility in February, which increased water injection capacity and reduced water hauling and disposal costs.

Royalty rates for the Karr development increased in the first quarter of 2019 compared to the fourth quarter of 2018, as a number of wells had fully utilized new well royalty incentives. New wells at Karr will continue to benefit from a five percent initial royalty rate up to the maximum incentive.

Development activities at Karr will resume in the second quarter of 2019 with the completion of five Montney wells drilled in 2018 on the 4-24 pad. The Company scheduled completion operations after spring breakup to capture cost savings resulting from operating in warmer conditions. Paramount also plans to commence drilling three new wells on the 1-19 pad. These eight new Montney wells will be brought-on production as required to offset natural production declines.

The expansion of the 6-18 Facility remains on track for start-up in the second half of 2020. First quarter 2019 capital spending on the project totaled $34.5 million, primarily related to long-lead time equipment purchases.

The Company drilled its initial lower Montney well on the 1-2 pad in 2018. Two additional wells in the 2019 development program will also target the lower Montney. To date, no lower Montney locations have been included in the reserves recognized for Karr. The results of these three wells will be incorporated in Paramount's reserves evaluations in the future and will be used to determine the Company's inventory of potential lower Montney drilling locations.

Producing Montney wells at Karr continue to exhibit strong production rates and condensate yields. The following table summarizes the performance of the five wells on the 1-2 pad brought on-stream in the third quarter of 2018 and the 27 wells drilled in the 2016/2017 Karr capital program:

	Peak 30-Day (1)			Cumulative (2)			
	Total	Wellhead Liquids	CGR (3)	Total	Wellhead Liquids	CGR (3)	Days on Production
	(Boe/d)	*(Bbl/d)*	*(Bbl/MMcf)*	*(MBoe)*	*(MBbl)*	*(Bbl/MMcf)*	
1-2 Pad							
00/04-25-065-05W6/0	1,598	975	261	293	169	227	252
02/04-25-065-05W6/0	1,703	951	211	324	163	168	222
00/01-26-065-05W6/0	1,878	1,180	282	377	217	225	244
02/01-26-065-05W6/0	2,108	1,333	287	305	183	249	195
00/02-26-065-05W6/0	2,058	1,286	278	422	249	240	235
2016/2017 Wells							
27 wells (Peak 30 day – avg. per well)	1,971	1,186	252	15,309	8,055	185	519 (4)

(1) Peak 30-Day is the highest daily average production rate over a 30-day consecutive period for each well, measured at the wellhead. Natural gas sales volumes are approximately 10 percent lower and liquids sales volumes are approximately 12 percent lower due to shrinkage. Excludes days when the wells did not produce. The production rates and volumes shown are 30-day peak rates over a short period of time and, therefore, are not necessarily indicative of average daily production, long-term performance or of ultimate recovery from the wells. These wells were produced at restricted rates from time-to-time due to facility and gathering system constraints.

(2) Cumulative is the aggregate production measured at the wellhead to May 3, 2019. Natural gas sales volumes are approximately 10 percent lower and liquids sales volumes are approximately 12 percent lower due to shrinkage. These wells were produced at restricted rates from time-to-time due to facility and gathering system constraints. The production rates and volumes shown are not necessarily indicative of average daily production, long-term performance or of ultimate recovery from the wells.

(3) CGRs mean condensate to gas ratios and are calculated by dividing raw wellhead liquids volumes by raw wellhead natural gas volumes.

(4) Average days on production per well for the 2016/2017 Wells.

Wapiti

Paramount's new Wapiti resource play is a continuation of the Montney trend that the Company has been successful in developing approximately 25 kilometers to the southeast at Karr. First quarter 2019 capital spending at Wapiti was $32.1 million, focused on the tie-in of 11 (11.0 net) wells on the 9-3 pad and the drilling of 12 (12.0 net) wells on the 5-3 pad.

The Company is delivering test volumes from the 9-3 pad as part of the commissioning of the new third-party Wapiti natural gas processing plant (the "Wapiti Plant") and first sales are expected in May 2019. Production is expected to increase as throughput at the Wapiti Plant ramps up, with all 11 wells on the 9-3 pad scheduled to be brought-on production in 2019. Drilling operations were completed for 12 wells on the 5-3 pad in the first quarter of 2019, and these wells are scheduled to be completed in the second quarter. Paramount has firm-service third-party natural gas transportation capacity for its Wapiti production volumes, which increases from 50 MMcf/d in 2019 to 130 MMcf/d in 2021.

The Company continues to pursue innovative alternatives to further reduce costs in its drilling and completion programs, including optimizing drilling and completion designs, streamlining logistics and realizing the benefits of economies of scale by utilizing large multi-well pads. As a result of these cost reduction initiatives, total capital costs for the 9-3 pad were reduced by approximately 11 percent compared to the original budget for the project.

As the Company integrated learnings from the 9-3 pad, drilling improvements were achieved on the 5-3 pad. Drilling time decreased in the lateral sections by approximately 25 percent compared with the 9-3 pad.

In addition, the wellbores were drilled within the five-meter target zone for 94 percent of the lateral section compared to 83 percent observed for the wells on the 9-3 pad.

KAYBOB REGION

Kaybob Region sales volumes averaged 37,143 Boe/d in the first quarter of 2019 compared to 37,262 Boe/d in the fourth quarter of 2018. Capital spending totaled $27.4 million. Development activities in the first quarter focused on drilling and completion operations on the Duvernay and Montney.

Kaybob South Duvernay

At South Duvernay, 5 (2.5 net) new wells on the 2-28 pad were drilled in 2018 and completed in March and April 2019. These wells are expected to be tied-in and brought-on production in the third quarter of 2019. Paramount set new records for these wells, reducing drilling time for the lateral sections by 47 percent compared to the 7-22 pad drilled in 2018. The wellbores for the 2-28 pad were also drilled within the five-meter target zone for 91 percent of the lateral sections compared to 82 percent observed for the wells on the 7-22 pad.

Kaybob Montney Oil

At the Montney Oil development, two wells from the 2018 capital program were brought-on production in the first quarter of 2019 and three new wells were drilled. Two of these new wells are scheduled to be brought-on production in the second quarter.

Kaybob Smoky Duvernay

In November 2018, the Company brought 4 (4.0 net) new wells on production on the 10-35 pad at Smoky Duvernay through Paramount's Smoky 06-16 plant. Cumulative production for these four wells as of May 3, 2019 totaled 674 MBoe, including 437 MBbl of wellhead liquids (average CGR of 310 Bbl/MMcf).[(1)] Production from the 10-35 pad has been facility constrained at the 06-16 plant and Paramount is currently completing debottlenecking enhancements to provide incremental capacity.

The Company's Kaybob Region drilling program in the first quarter of 2019 also included a tenure well in the North Kaybob Duvernay oil window and an initial appraisal well at the Ante Creek Montney property.

CENTRAL ALBERTA AND OTHER REGION

Central Alberta and Other Region sales volumes averaged 18,623 Boe/d in the first quarter of 2019 compared to 20,257 Boe/d in the fourth quarter of 2018. Capital spending totaled $5.5 million. The Company participated in drilling operations for one (0.5 net) well at Birch in northeast British Columbia in the first quarter of 2019. A tenure well is scheduled to be drilled in the East Shale Basin later in 2019.

The Company has commenced the closure program at Zama in northern Alberta, with approximately 25 percent of wells shut-in to date. The program will continue through the balance of the year as conditions permit.

GREENHOUSE GAS REDUCTION INITIATIVE

As part of Paramount's commitment to responsible energy development, the Company is participating in Alberta's Carbon Competitiveness Incentive Program and investing in new equipment to reduce the emission of greenhouse gases ("GHG") from its operations.

[(1)] Cumulative is the aggregate production measured at the wellhead to May 3, 2019. Natural gas sales volumes are approximately 10 percent lower and liquids sales volumes are approximately four percent lower due to shrinkage. The production rates and volumes stated are over a short period of time and, therefore, are not necessarily indicative of average daily production, long-term performance or of ultimate recovery from the wells.

Paramount is executing a project in the Central Alberta and Other and Kaybob regions to replace approximately 1,700 high-bleed controllers with modern low-bleed units at a total estimated cost of $3.5 million. Once installed, these low-bleed controllers are expected to eliminate approximately 120,000 tonnes of GHG emissions annually. This project is anticipated to generate approximately $9 million in GHG credits through 2022.

Planning has also commenced for upgrades to the Company's remaining high-bleed controllers and other equipment to reduce emissions of GHGs, including methane, carbon dioxide, and nitrogen oxides.

CORPORATE

Paramount's natural gas diversification strategy includes approximately 122,000 GJ/d of sales under long-term contracts priced at the Dawn, US Midwest and Malin markets. The Company's average realized natural gas sales price for the first quarter of 2019 was $3.37/Mcf compared to average AECO prices of $2.17/GJ.

To protect the Company's cash flows and support its capital programs, Paramount has 15,000 Bbl/d of liquids hedged for the remainder of 2019 at an average price of $77.58/Bbl and 3,000 Bbl/d hedged for 2020 at an average price of $80.07/Bbl.

In the first quarter of 2019, the Company entered into interest rate swaps to fix interest rates on a portion of its bank debt; $250 million notional amount for four years and an additional $250 million notional amount for seven years.

As at March 31, 2019, $827.3 million was drawn on the Company's $1.5 billion bank credit facility. The Company's net debt position was $903.3 million as at March 31, 2019, relatively unchanged from December 31, 2018, as first quarter capital spending was largely funded by cash flow.

In January 2019, Paramount implemented a normal course issuer bid program under which the Company may purchase up to 7.1 million Paramount common shares for cancellation. No purchases have been made under the program to date.

OPERATING AND FINANCIAL RESULTS [1]

($ millions, except as noted)

	Q1 2019		Q4 2018	
Sales volumes				
Natural gas (MMcf/d)	**308.0**		315.2	
Condensate and oil (Bbl/d)	**23,679**		24,898	
Other NGLs (Bbl/d) [3]	**6,284**		7,059	
Total (Boe/d)	**81,296**		84,495	
% liquids	***37%***		*38%*	
Grande Prairie Region (Boe/d)	**25,530**		26,976	
Kaybob Region (Boe/d)	**37,143**		37,262	
Central Alberta and Other Region (Boe/d)	**18,623**		20,257	
Total (Boe/d)	**81,296**		84,495	
Adjusted Funds Flow				
		$/Boe [2]		*$/Boe* [2]
Natural gas revenue	**93.3**	***3.37***	79.2	*2.73*
Condensate and oil revenue	**134.8**	***63.26***	104.3	*45.54*
Other NGLs revenue [3]	**16.2**	***28.55***	20.4	*31.39*
Royalty and sulphur revenue	**1.8**	**—**	3.5	—
Petroleum and natural gas sales	**246.1**	***33.63***	207.4	*26.68*
Royalties	**(15.4)**	***(2.10)***	(8.0)	*(1.03)*
Operating expense	**(90.4)**	***(12.35)***	(103.2)	*(13.28)*
Transportation and NGLs processing [4]	**(24.6)**	***(3.36)***	(24.2)	*(3.11)*
Netback	**115.7**	***15.82***	72.0	*9.26*
Commodity contract settlements	**5.6**	***0.77***	(9.3)	*(1.20)*
General and administrative	**(13.7)**	***(1.88)***	(16.8)	*(2.16)*
Interest and financing expense	**(9.2)**	***(1.26)***	(8.7)	*(1.12)*
Other	**2.1**	***0.29***	8.3	*1.07*
Adjusted funds flow	**100.5**	***13.74***	45.5	*5.85*
per share – diluted ($/share)	***0.77***		*0.35*	
Exploration and Development Capital [5]				
Grande Prairie Region	**33.2**		48.1	
Karr 6-18 Facility Expansion	**34.5**		23.9	
Kaybob Region	**27.4**		35.6	
Central Alberta and Other Region	**5.5**		16.3	
Total	**100.6**		123.9	
Net loss	**(76.7)**		(170.5)	
per share – basic and diluted ($/share)	***(0.59)***		*(1.31)*	
Total assets	**4,108.0**		4,118.1	
Net debt	**903.3**		896.0	
Common shares outstanding *(thousands)*	**130,904**		130,899	

(1) Readers are referred to the advisories concerning Non-GAAP Measures and Oil and Gas Measures and Definitions in the Advisories section of this document.
(2) Natural gas revenue presented as $/Mcf.
(3) Other NGLs means ethane, propane and butane.
(4) Includes downstream transportation costs and NGLs fractionation costs.
(5) Excludes land and property acquisitions and spending related to corporate assets.

ABOUT PARAMOUNT

Paramount is an independent, publicly traded, liquids-focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas resources. The Company also pursues long-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 Class A common shares are listed on the Toronto Stock Exchange under the symbol "POU".

Paramount's first quarter 2019 results, including Management's Discussion and Analysis and the Company's Consolidated Financial Statements will be made available through Paramount's website at www.paramountres.com and on SEDAR at www.sedar.com.

For further information, please contact:

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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:

- expected first sales at Wapiti;
- expected average sales volumes for 2019, including for the first half of 2019 and the fourth quarter of 2019;
- budgeted capital expenditures;
- an expected increase in sales volumes as additional new wells are brought-on production at Wapiti;
- the 6-18 Facility expansion remaining on track for a start-up in the second half of 2020 and forecast spending on the project for 2019;
- planned GHG reduction measures and expenditures and expected GHG credits; and
- planned exploration, development and production activities, including the anticipated timing of bringing new wells on production.

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 natural gas and liquids prices;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates and interest rates;
- general business, economic and market conditions;
- the ability of Paramount to obtain the required capital to finance its exploration, development and other operations and meet its commitments and financial obligations;
- the ability of Paramount to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its activities;
- the ability of Paramount to secure adequate product processing, transportation, fractionation, and storage capacity on acceptable terms;
- the ability of Paramount to market its natural gas and liquids successfully to current and new customers;
- the ability of Paramount and its industry partners to obtain drilling success (including in respect of anticipated production volumes, reserves additions, liquids yields and resource 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 drilling programs and other operations (including well completions and tie-ins and the construction, commissioning and start-up of new and expanded facilities, including third-party facilities).

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 natural gas and liquids prices;
- changes in foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future revenue, production, reserve additions, liquids yields (including condensate to natural gas ratios), resource recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate product processing, transportation, fractionation, 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, services, supplies and personnel in a timely manner and at an acceptable cost;
- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities (including third-party facilities);
- processing, pipeline and fractionation infrastructure outages, disruptions and constraints;
- 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 flow from operations and obtain financing to fund planned exploration, development and operational activities and meet current and future commitments and obligations (including product 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;
- the effects of weather and other factors including wildlife and environmental restrictions which affect field operations and access;
- the timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- uncertainties regarding aboriginal 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.

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, 2018, which is available on SEDAR at www.sedar.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.

Non-GAAP Measures

In this press release, "Adjusted funds flow", "Netback", "Net debt" and "Exploration and development capital", collectively the "Non-GAAP measures", are used and do not have any standardized meanings as prescribed by International Financial Reporting Standards.

"Adjusted funds flow" refers to cash from operating activities before net changes in operating non-cash working capital, geological and geophysical expenses, asset retirement obligation settlements and transaction and reorganization costs. Adjusted funds flow is commonly used in the oil and gas industry to assist management and investors in measuring the Company's ability to fund capital programs and meet financial obligations. Refer to the Consolidated Results section of the Company's Management's Discussion and Analysis for the three months ended March 31, 2019 for the calculation thereof. "Netback" equals petroleum and natural gas sales less royalties, operating costs and transportation and NGLs processing costs. Netback is commonly used by management and investors to compare the results of the Company's oil and gas operations between periods. Refer to the Operating Results section of the Company's Management's Discussion and Analysis for the three months ended March 31, 2019 for the calculation thereof. "Net debt" is a measure of the Company's overall debt position after adjusting for certain working capital amounts and is used by management to assess the Company's overall leverage position. Refer to the Liquidity and Capital Resources section of the Company's Management's Discussion and Analysis for the three months ended March 31, 2019 for the calculation of Net debt. "Exploration and development capital" consists of the Company's spending on wells, infrastructure projects, other property, plant and equipment and exploration and evaluation assets and excludes spending related to land and property acquisitions and corporate assets. The Exploration and development capital measure provides management and investors with information regarding the Company's capital spending on wells and infrastructure projects separate from land and property acquisition activity and corporate expenditures. Refer to the Property, Plant and Equipment and Exploration Expenditures of the Company's Management's Discussion and Analysis for the three months ended March 31, 2019 for the calculations thereof.

Non-GAAP measures should not be considered in isolation or construed as alternatives to their most directly comparable measure calculated in accordance with GAAP, or other measures of financial performance calculated in accordance with GAAP. The Non-GAAP measures are unlikely to be comparable to similar measures presented by other issuers.

Oil and Gas Measures and Definitions

The term "liquids" includes oil, condensate and Other NGLs (ethane, propane and butane). NGLs consist of condensate and Other NGLs.

Abbreviations

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

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

Natural Gas	
GJ	Gigajoules
GJ/d	Gigajoules 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
NYMEX	New York Mercantile Exchange

This press release contains disclosures expressed as "Boe", "$/Boe", "MBoe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the three months ended March 31, 2019, the value ratio between crude oil and natural gas was approximately 36:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value.

This press release contains metrics commonly used in the oil and natural gas industry. Each of these metrics is determined by the Company as set out below or elsewhere in this press release. “CGR” means condensate to gas ratio and is calculated by dividing wellhead raw liquids volumes by wellhead raw natural gas volumes. CGR does not have a standardized meaning and may not be comparable to similar measures presented by other companies. As such, it should not be used to make comparisons. Management uses oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare the Company's performance over time; however, such measures are not reliable indicators of the Company's future performance and future performance may not compare to the performance in previous periods and therefore should not be unduly relied upon.

Management's Discussion and Analysis
For the three months ended March 31, 2019

This Management's Discussion and Analysis ("MD&A"), dated May 7, 2019 should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements (the "Interim Financial Statements") of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the three months ended March 31, 2019 and Paramount's audited Consolidated Financial Statements as at and for the year ended December 31, 2018 (the "Annual Financial Statements"). Financial data included in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and is stated in millions of Canadian dollars, unless otherwise noted. The Company's accounting policies have been applied consistently to all periods presented, except for changes as a result of adopting *IFRS 16 – Leases* ("IFRS 16") effective January 1, 2019, which are described in the Changes in Accounting Policies section of this document. Paramount voluntarily changed its accounting policy with respect to the discounting of asset retirement obligations ("ARO") effective December 31, 2018 and, as a result, certain comparative information has been restated in this MD&A. Refer to the Annual Financial Statements for a description of the impact of the change in the Company's ARO accounting policy on the Company's financial statements.

The disclosures in this document include forward-looking information, non-GAAP measures and certain oil and gas measures. Readers are referred to the Advisories section of this document concerning such matters. Additional information concerning Paramount, including its Annual Information Form, can be found on the SEDAR website at www.sedar.com.

ABOUT PARAMOUNT

Paramount is an independent, publicly traded, liquids-focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas resources. The Company also pursues long-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. The Company's Class A Common Shares ("Common Shares") are listed on the Toronto Stock Exchange under the symbol "POU".

The Company's operations are organized into the following three regions:

- the Grande Prairie Region, located in the Peace River Arch area of Alberta, which is focused on Montney developments at Karr and Wapiti;
- the Kaybob Region, located in west-central Alberta, which is focused on Montney and Duvernay developments at Kaybob, Smoky River, Pine Creek and Ante Creek; and
- the Central Alberta and Other Region, which includes Duvernay development plays in southern Alberta at Willesden Green and the East Shale Basin, and lands and production in northern Alberta and British Columbia.

Paramount also holds a portfolio of: (i) investments in other entities; (ii) investments in exploration and development stage assets, including oil sands and carbonate bitumen interests held by Paramount's wholly-owned subsidiary Cavalier Energy and prospective shale gas acreage in the Liard and Horn River Basins (the "Shale Gas Project"); and (iii) drilling rigs owned by Paramount's wholly-owned limited partnership, Fox Drilling Limited Partnership.

FINANCIAL AND OPERATING HIGHLIGHTS (1)

Three months ended March 31	2019	2018	% Change
FINANCIAL			
Petroleum and natural gas sales	246.1	269.8	*(9)*
Net loss (2)	(76.7)	(64.6)	*19*
per share – basic & diluted ($/share)	*(0.59)*	*(0.48)*	
Adjusted funds flow	100.5	97.6	*3*
per share – basic & diluted ($/share)	*0.77*	*0.73*	
Exploration and development capital (3)	100.6	131.6	*(24)*
Total assets (2)	4,108.0	4,386.6	*(6)*
Net debt	903.3	705.7	*28*
OPERATIONAL			
Sales volumes			
Natural gas (MMcf/d)	308.0	351.1	*(12)*
Condensate and oil (Bbl/d)	23,679	25,391	*(7)*
Other NGLs (Bbl/d) (4)	6,284	8,298	*(24)*
Total (Boe/d)	81,296	92,203	*(12)*
Net wells drilled	18	19	*(5)*
ADJUSTED FUNDS FLOW ($/Boe)			
Petroleum and natural gas sales	33.63	32.51	*3*
Royalties	(2.10)	(1.93)	*9*
Operating expense	(12.35)	(11.12)	*11*
Transportation and NGLs processing (5)	(3.36)	(3.26)	*3*
Netback	15.82	16.20	*(2)*
Commodity contract settlements	0.77	(1.48)	*(152)*
Netback including commodity contract settlements	16.59	14.72	*13*
General and administrative	(1.88)	(2.19)	*(14)*
Interest and financing expense	(1.26)	(1.05)	*20*
Other	0.29	0.28	*4*
Adjusted funds flow	13.74	11.76	*17*

(1) Readers are referred to the advisories concerning Non-GAAP measures and Oil and Gas Measures and Definitions in the Advisories section of this document and to the reconciliations of such Non-GAAP measures to their most directly comparable measure under GAAP in the applicable sections of this document. This table contains the following Non-GAAP measures: Adjusted Funds Flow, Exploration and Development Capital, Net Debt and Netback.
(2) 2018 restated, refer to Note 1 and 22 of the Annual Financial Statements.
(3) Exploration and development capital consists of expenditures related to property, plant and equipment and exploration and evaluation assets, excluding expenditures related to land, property acquisitions and corporate assets.
(4) Other NGLs means ethane, propane and butane.
(5) Includes downstream transportation costs and NGLs fractionation costs.

CONSOLIDATED RESULTS

Net Loss

Paramount recorded a net loss of $76.7 million for the three months ended March 31, 2019 compared to a net loss of $64.6 million in the same period in 2018. Significant factors contributing to the change are shown below:

Three months ended March 31	
Net loss – 2018 (1)	**(64.6)**
• Higher loss on commodity contracts	(25.1)
• Lower netback in 2019, mainly due to lower sales volumes and lower liquids prices, partially offset by higher natural gas prices	(18.8)
• Closure costs provision recognized in respect of the Zama field in 2019	(13.4)
• Lower income tax recovery	(7.9)
• Lower depletion and depreciation mainly due to the depletion rate methodology change in the fourth quarter of 2018 and lower sales volumes in 2019	50.4
• Lower general and administrative expense in 2019	4.5
• Other	(1.8)
Net loss – 2019	**(76.7)**

(1) 2018 restated, refer to Note 1 and 22 of the Annual Financial Statements.

Adjusted Funds Flow (1)

The following is a reconciliation of adjusted funds flow to the nearest GAAP measure:

Three months ended March 31	2019	2018
Cash from operating activities	88.5	85.2
Change in non-cash working capital	3.2	(3.5)
Transaction and reorganization costs	–	2.2
Geological and geophysical expenses	3.0	5.2
Asset retirement obligations settled	5.8	8.5
Adjusted funds flow	**100.5**	97.6
Adjusted funds flow (*$/Boe*)	**13.74**	11.76

(1) Refer to the advisories concerning non-GAAP measures in the Advisories section of this document.

Adjusted funds flow for the three months ended March 31, 2019 was $100.5 million compared to $97.6 million for the same period in 2018. Significant factors contributing to the change are shown below:

Three months ended March 31	
Adjusted funds flow – 2018	**97.6**
• Lower netback in 2019, mainly due to lower sales volumes and lower liquids prices, partially offset by higher natural gas prices	(18.8)
• Receipts on commodity contract settlements in 2019 compared to payments in 2018	17.9
• Lower general and administrative expense in 2019	4.5
• Other	(0.7)
Adjusted funds flow – 2019	**100.5**

OPERATING RESULTS

Netback

Three months ended March 31	2019		2018	
		($/Boe) (1)		*($/Boe)* (1)
Natural gas revenue	**93.3**	***3.37***	81.9	*2.59*
Condensate and oil revenue	**134.8**	***63.26***	160.2	*70.10*
Other NGLs revenue (2)	**16.2**	***28.55***	23.7	*31.68*
Royalty and sulphur revenue	**1.8**	**–**	4.0	–
Petroleum and natural gas sales	**246.1**	***33.63***	269.8	*32.51*
Royalties	**(15.4)**	***(2.10)***	(16.0)	*(1.93)*
Operating expense	**(90.4)**	***(12.35)***	(92.3)	*(11.12)*
Transportation and NGLs processing (3)	**(24.6)**	***(3.36)***	(27.0)	*(3.26)*
Netback	**115.7**	***15.82***	134.5	*16.20*
Commodity contract settlements	**5.6**	***0.77***	(12.3)	*(1.48)*
Netback including commodity contract settlements	**121.3**	***16.59***	122.2	*14.72*

(1) Natural gas revenue presented per Mcf.
(2) Other NGLs means ethane, propane and butane.
(3) Includes downstream transportation costs and NGLs fractionation costs.

Petroleum and natural gas sales were $246.1 million in the first quarter of 2019, a decrease of $23.7 million from the same period in the prior year, primarily due to lower sales volumes and lower liquids prices, partially offset by higher natural gas prices.

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

	Natural gas	Condensate and oil	Other NGLs	Royalty and Sulphur	Total
Three months ended March 31, 2018	81.9	160.2	23.7	4.0	**269.8**
Effect of changes in sales volumes	(10.0)	(10.8)	(5.7)	–	**(26.5)**
Effect of changes in prices	21.4	(14.6)	(1.8)	–	**5.0**
Change in royalty and sulphur revenue	–	–	–	(2.2)	**(2.2)**
Three months ended March 31, 2019	**93.3**	**134.8**	**16.2**	**1.8**	**246.1**

Sales Volumes

	Three months ended March 31											
	Natural gas (MMcf/d)			Condensate and oil (Bbl/d)			Other NGLs (Bbl/d)			Total (Boe/d)		
	2019	2018	% Change	**2019**	2018	% Change	**2019**	2018	% Change	**2019**	2018	% Change
Grande Prairie	**78.0**	83.7	*(7)*	**10,929**	12,041	*(9)*	**1,602**	2,399	*(33)*	**25,530**	28,398	*(10)*
Kaybob	**150.5**	175.2	*(14)*	**9,733**	10,011	*(3)*	**2,324**	2,639	*(12)*	**37,143**	41,843	*(11)*
Central Alberta & Other	**79.5**	92.2	*(14)*	**3,017**	3,339	*(10)*	**2,358**	3,260	*(28)*	**18,623**	21,962	*(15)*
Total	**308.0**	351.1	*(12)*	**23,679**	25,391	*(7)*	**6,284**	8,298	*(24)*	**81,296**	92,203	*(12)*

Sales volumes decreased 12 percent to 81,296 Boe/d in the first quarter of 2019 compared to 92,203 Boe/d in the same period in 2018. The reduction in sales volumes was primarily due to lower production in the Kaybob and Central Alberta and Other Regions as a result of natural declines and the disposition of the Resthaven/Jayar properties in the Grande Prairie Region in the third quarter of 2018. These decreases were partially offset by higher sales volumes at Smoky Duvernay in the Kaybob Region and at Karr in the Grande Prairie Region as a result of new wells being brought-on production.

The Company is delivering test volumes from its Wapiti 9-3 pad in the Grande Prairie Region as part of the commissioning of the new third-party processing plant (the "Wapiti Plant"). First sales are expected in May 2019.

Paramount is reaffirming its 2019 production guidance, including first half average sales volumes of between 80,000 Boe/d and 81,000 Boe/d and annual average sales volumes of between 81,000 Boe/d and 85,000 Boe/d. Production is expected to increase in the second half of the year as Wapiti ramps up, with fourth quarter sales volumes expected to average between 85,000 Boe/d and 90,000 Boe/d.

Commodity Prices

Three months ended March 31	2019	2018	% Change
Natural Gas			
Paramount realized price ($/Mcf)	**3.37**	2.59	*30*
AECO daily spot ($/GJ)	**2.49**	1.96	*27*
AECO monthly index ($/GJ)	**1.84**	1.75	*5*
Dawn ($/MMbtu)	**3.90**	3.81	*2*
NYMEX (US$/MMbtu)	**2.86**	2.84	*1*
Malin - monthly (US$/MMbtu)	**3.88**	2.50	*55*
Crude Oil			
Paramount average realized condensate & oil price ($/Bbl)	**63.26**	70.10	*(10)*
Edmonton Light Sweet ($/Bbl)	**66.92**	70.09	*(5)*
West Texas Intermediate (US$/Bbl)	**54.81**	62.87	*(13)*
Foreign Exchange			
$CDN / 1 $US	**1.33**	1.27	*5*

Paramount's natural gas portfolio consists of sales priced in the Alberta market and approximately 122,000 GJ/d of sales priced at the Dawn, US Midwest and Malin markets and is sold in a combination of daily and monthly contracts. Paramount continues to evaluate opportunities to further diversity its natural gas sales markets.

Paramount sells its condensate and oil volumes at Edmonton via third-party pipelines, at truck terminals or at the lease. Condensate and oil volumes sold at Edmonton generally receive higher prices than volumes sold at terminals or leases. Sales prices for condensate and oil are based on West Texas Intermediate reference prices, adjusted for transportation, quality and density differentials. The Company's average realized condensate and oil price decreased in the first quarter of 2019 compared to the same period in 2018 mainly as a result of decreases in benchmark prices.

Commodity Price Management

From time-to-time Paramount uses financial commodity contracts to manage exposure to commodity price volatility. As at March 31, 2019, the Company had the following financial commodity contracts in place:

Instruments	Aggregate notional	Average fixed price	Fair value	Remaining Term
Oil – NYMEX WTI Swaps (Sale)	14,000 Bbl/d	CDN$77.05/Bbl	(12.5)	April 2019 – December 2019
Oil – NYMEX WTI Calls (Sale)	2,000 Bbl/d	CDN$82.00/Bbl (1)	(1.1)	April 2019 – December 2019
Other			(0.2)	
			(13.8)	

(1) Paramount sold NYMEX WTI call options for 2,000 Bbl/d for fiscal 2019 at an exercise price of CDN$82.00 per barrel, for which the Company will receive a premium of CDN$2.65 per barrel.

Subsequent to March 31, 2019, the Company entered into the following financial commodity contracts:

Instruments	Aggregate notional	Average fixed price	Remaining term
Oil – NYMEX WTI Swaps (Sale)	1,000 Bbl/d	CDN$85.00/Bbl	April 2019 – December 2019
Oil – NYMEX WTI Swaps (Sale)	3,000 Bbl/d	CDN$80.07/Bbl	January 2020 – December 2020

Changes in the fair value of the Company's financial commodity contracts are as follows:

	Three months ended March 31, 2019	Twelve months ended December 31, 2018
Fair value, beginning of period	64.4	(19.1)
Changes in fair value	(72.6)	7.0
Settlements paid (received)	(5.6)	76.5
Fair value, end of period	(13.8)	64.4

Royalties

Three months ended March 31	2019	Rate	2018	Rate
Royalties	15.4	6.3%	16.0	5.9%
$/Boe	*2.10*		*1.93*	

Royalties decreased $0.6 million to $15.4 million in the first quarter of 2019 compared to the same period in 2018 primarily as a result of lower revenue, partially offset by higher royalties at Karr in the Grande Prairie Region and lower gas cost allowance. Royalty rates in the Grande Prairie Region increased in 2019 as a number of new wells had fully utilized their new well royalty incentives. New wells continue to benefit from a five percent initial royalty rate up to the maximum incentive.

Operating Expense

Three months ended March 31	2019	2018	% Change
Operating expense	90.4	92.3	(2)
$/Boe	*12.35*	*11.12*	*11*

Operating expense decreased by $1.9 million to $90.4 million in the first quarter of 2019, compared to $92.3 million in the same period in 2018. The decrease was primarily due to lower well workover and maintenance activity and the disposition of the Resthaven/Jayar properties, partially offset by higher operating costs at Karr in the Grande Prairie Region as a result of higher production.

Transportation and NGLs Processing

Three months ended March 31	2019	2018	% Change
Transportation and NGLs processing	24.6	27.0	(9)
$/Boe	*3.36*	*3.26*	*3*

Transportation and NGLs processing includes the costs of downstream transportation and NGLs fractionation incurred by the Company. Transportation and NGLs processing was $24.6 million in the first quarter of 2019, a decrease of $2.4 million compared to 2018. The decrease was primarily the result of lower natural gas transportation costs due to lower production and lower trucking costs at Karr in the Grande Prairie Region due to a higher proportion of production being transported via pipeline.

Other Operating Items

Three months ended March 31	2019	2018
Depletion and depreciation (1)	(80.7)	(131.1)
Gain on sale of oil and gas assets (1)	6.0	7.8
Exploration and evaluation expense	(5.1)	(8.6)

(1) 2018 restated, refer to Note 1 and 22 of the Annual Financial Statements.

Depletion and depreciation expense decreased to $80.7 million in the first quarter of 2019 compared to $131.1 million in 2018, primarily due to the modification of the Company's depletion rate methodology adopted in the fourth quarter of 2018.

INVESTMENTS IN SECURITIES

Paramount holds equity investments in a number of publicly-traded and private corporations as part of its portfolio of investments. The majority of these investments, including Strath Resources Ltd. ("Strath") and MEG Energy Corp. ("MEG"), were received as consideration for properties sold to the entities. Paramount's investments in securities are summarized below:

	Market Value (1)	
As at	March 31, 2019	December 31, 2018
Strath (2)	170.0	170.0
MEG	18.9	28.5
Privateco	21.1	21.1
Other (3)	13.0	12.1
Total	223.0	231.7

(1) Based on the period-end closing price of publicly traded investments and the book value of remaining investments.
(2) Includes 85 million Strath common shares and 8.5 million warrants to acquire Strath common shares.
(3) Includes investments in Pipestone Energy Corp., Storm Resources Ltd., Canadian Premium Sand Inc. and other public and private corporations.

CORPORATE

Three months ended March 31	2019	2018
General and administrative	13.7	18.2
Share-based compensation	4.9	5.6
Interest and financing	9.2	8.7
Accretion of asset retirement obligations (1)	14.5	14.1
Closure costs	13.4	–

(1) 2018 restated, refer to Note 1 and 22 of the Annual Financial Statements.

General and administrative expenses were 25 percent lower in the first quarter of 2019 compared to the first quarter of 2018, primarily due to lower staffing levels and administrative costs in the current year as the integration of administrative functions following two corporate acquisitions in the third quarter of 2017 was substantially completed.

In early 2019, the Company made the decision to cease production operations at the Zama field in northern Alberta. Sales volumes at Zama averaged approximately 1,200 Boe/d in the fourth quarter of 2018. Closure activities commenced in the first quarter of 2019 and are expected to span approximately twelve months. The Company recognized a provision of $13.4 million as at March 31, 2019 in respect of the expected costs of the Zama closure program.

PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION EXPENDITURES

Three months ended March 31	2019	2018
Drilling, completion and tie-ins	58.4	112.6
Facilities and gathering	7.7	18.4
Karr 6-18 Facility expansion	34.5	0.6
Exploration and Development Capital (1)	100.6	131.6
Corporate	2.5	2.9
Total capital additions	103.1	134.5
Land and property acquisitions	1.0	1.5
	104.1	136.0
Exploration and Development Capital by Region (1)		
Grande Prairie	67.7	74.3
Kaybob	27.4	50.0
Central Alberta and Other	5.5	7.3
	100.6	131.6

(1) Exploration and Development Capital consists of property, plant and equipment and exploration expenditures excluding spending related to land and property acquisitions and corporate assets.

Exploration and development capital was $100.6 million in the first quarter of 2019 compared to $131.6 million in the same period in 2018. Expenditures in the first quarter of 2019 were mainly related to drilling and completion programs at Wapiti in the Grande Prairie Region and in the Kaybob Region and advancing the expansion of the Karr 6-18 natural gas facility (the "6-18 Facility") in the Grande Prairie Region.

The majority of capital spending at Karr in the first quarter of 2019 related to the expansion of the 6-18 Facility, which remains on track for start-up in the second half of 2020. First quarter 2019 capital spending on the project totaled $34.5 million, primarily related to long-lead time equipment purchases.

Development activities at Karr will resume in the second quarter of 2019 with the completion of five Montney wells drilled in 2018 on the 4-24 pad. The Company scheduled completion operations after spring breakup to capture cost savings resulting from operating in warmer conditions. Paramount also plans to commence drilling three new wells on the 1-19 pad. These eight new Montney wells will be brought-on production as required to offset natural production declines.

At the Montney development at Wapiti, production is expected to increase as throughput at the Wapiti Plant ramps up, with all 11 wells on the 9-3 pad scheduled to be brought-on production in 2019. Drilling operations were completed for 12 wells on the 5-3 pad in the first quarter of 2019 and these wells are scheduled to be completed in the second quarter.

In the Kaybob Region, two wells from the 2018 capital program were brought-on production in the first quarter of 2019 in the Montney Oil development and three new wells were drilled. Two of these new wells are scheduled to be brought-on production in the second quarter. At South Duvernay, 5 (2.5 net) new wells on the 2-28 pad were completed in April 2019. These wells are expected to be tied-in and brought-on production in the third quarter of 2019. The Company's drilling program in the first quarter of 2019 also included a tenure well in the North Kaybob Duvernay oil window and an initial appraisal well at the Ante Creek Montney property.

The Company's $350 million base capital budget for 2019 remains unchanged. Total forecast spending on the 6-18 Facility expansion for 2019 remains at $145 million and is not included in the $350 million base capital budget. The Company continues to evaluate funding alternatives to complete the expansion.

Wells drilled were as follows:

Three months ended March 31	2019		2018	
	Gross (1)	Net (2)	Gross (1)	Net (2)
Natural gas	16	14	18	12
Oil	4	4	7	7
Total	20	18	25	19

(1) Gross is the number of wells in which Paramount has a working interest.
(2) Net is the aggregate number of wells obtained by multiplying each gross well by Paramount's percentage of working interest.

LIQUIDITY AND CAPITAL RESOURCES

Paramount manages its capital structure to support current and future business plans and periodically adjusts the structure in response to changes in economic conditions and the risk characteristics of the Company's underlying assets and operations. Paramount may adjust its capital structure through a number of means, including by issuing or repurchasing shares, altering debt levels, modifying capital spending programs, acquiring or disposing of assets, and participating in joint ventures, the availability of any such means being dependent upon market conditions.

As at	March 31, 2019	December 31, 2018
Cash and cash equivalents	(12.9)	(19.3)
Accounts receivable	(124.4)	(121.3)
Prepaid expenses and other	(9.7)	(9.6)
Accounts payable and accrued liabilities	223.0	231.2
Adjusted working capital deficit (1)	76.0	81.0
Paramount Facility	827.3	815.0
Net Debt (2)	903.3	896.0
Share capital	2,185.6	2,184.6
Retained earnings (accumulated deficit)	(55.5)	21.2
Reserves	31.4	44.7
Total Capital	3,064.8	3,146.5

(1) Adjusted working capital excludes risk management assets and liabilities, current accounts receivable amounts relating to subleases (March 31, 2019 - $1.8 million, December 31, 2018 – nil) and the current portion of asset retirement obligations and other.
(2) Refer to the advisories concerning non-GAAP measures in the Advisories section of this document.

The change in net debt in the first quarter of 2019 is primarily due to capital expenditures and asset retirement obligation settlements, largely offset by cash flows from operations. Paramount expects to fund its 2019 operations, obligations and capital expenditures with cash flows from operations, non-core asset dispositions and available capacity under its bank credit facility.

Paramount Facility

As at March 31, 2019, the Company had a $1.5 billion financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility"). The maturity date of the Paramount Facility is currently November 16, 2022, which may be extended from time-to-time at the option of Paramount and with the agreement of the lenders.

Paramount had letters of credit outstanding totaling $27.3 million as at March 31, 2019 that reduce the amount available to be drawn on the Paramount Facility.

Interest Rate Swaps

The Company had the following floating-to-fixed interest rate swaps in place as at March 31, 2019:

Contract Type	Aggregate notional	Maturity Date	Fixed Contract Rate	Reference	Fair value
Interest Rate Swap	$250 million	January 2023	2.3%	CDOR (1)	(4.4)
Interest Rate Swap	$250 million	January 2026	2.4%	CDOR (1)	(8.1)
					(12.5)

(1) Canadian Dollar Offered Rate.

In the first quarter of 2019, Paramount entered into interest rate swap arrangements to manage the uncertainty of variable interest rates by fixing the variable component of a portion of the interest paid on the Company's long-term debt. The Company classified these arrangements as cash flow hedges and applied hedge accounting. At March 31, 2019, there were no changes to the critical terms of the hedging relationship and no hedge ineffectiveness was identified.

Share Capital

Paramount implemented a normal course issuer bid in January 2019 (the "2019 NCIB"). The 2019 NCIB will terminate on the earlier of: (i) January 3, 2020; and (ii) the date on which the maximum number of Common Shares that can be acquired pursuant to the 2019 NCIB are purchased. Purchases of Common Shares under the 2019 NCIB will be effected through the facilities of the TSX or alternative Canadian trading systems at the market price at the time of purchase.

Paramount may purchase up to 7,110,667 Common Shares under the 2019 NCIB. Pursuant to the rules of the TSX, the maximum number of Common Shares that the Company may purchase under the 2019 NCIB in any one day is 96,491 Common Shares. Paramount may also make one block purchase per calendar week which exceeds such daily purchase restriction, subject to the rules of the TSX. Any Common Shares purchased pursuant to the 2019 NCIB will be cancelled by the Company. No Common Shares have been purchased to date under the 2019 NCIB. Any shareholder may obtain, for no charge, a copy of the notice in respect of the 2019 NCIB filed with the TSX by contacting the Company at 403-290-3600.

As at April 30, 2019, Paramount had 130,657,079 Common Shares outstanding (net of 246,659 Common Shares held in trust under the Company's restricted share unit plan) and 12,180,851 options to acquire Common Shares outstanding, of which 3,510,655 options are exercisable.

QUARTERLY INFORMATION

	2019	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Petroleum and natural gas sales	**246.1**	207.4	248.5	239.7	269.8	258.9	116.5	61.3
Net income (loss) [1]	**(76.7)**	(170.5)	(13.1)	(119.0)	(64.6)	(103.2)	383.4	39.6
Per share – basic ($/share)	***(0.59)***	*(1.31)*	*(0.10)*	*(0.90)*	*(0.48)*	*(0.76)*	*3.42*	*0.37*
Per share – diluted ($/share)	***(0.59)***	*(1.31)*	*(0.10)*	*(0.90)*	*(0.48)*	*(0.76)*	*3.39*	*0.37*
Adjusted funds flow	**100.5**	45.5	58.2	62.6	97.6	110.1	45.3	35.2
Per share – basic & diluted ($/share)	***0.77***	*0.35*	*0.44*	*0.47*	*0.73*	*0.82*	*0.40*	*0.33*
Sales volumes								
Natural gas (MMcf/d)	**308.0**	315.2	303.8	334.1	351.1	359.9	177.2	53.0
Condensate and oil (Bbl/d)	**23,679**	24,898	22,868	23,815	25,391	26,285	14,845	8,118
Other NGLs (Bbl/d)	**6,284**	7,059	6,963	7,242	8,298	9,149	4,641	1,414
Total (Boe/d)	**81,296**	85,495	80,471	86,741	92,203	95,412	49,023	18,367
Average realized price								
Natural gas ($/Mcf)	**3.37**	2.73	1.93	1.71	2.59	2.11	1.89	3.24
Condensate and oil ($/Bbl)	**63.26**	45.54	79.83	77.25	70.10	66.65	54.30	57.95
Other NGLs ($/Bbl)	**28.55**	31.39	32.16	27.35	31.68	30.15	23.05	20.09
Total ($/Boe)	**33.63**	26.68	33.57	30.37	32.51	29.49	25.84	36.69

(1) Comparative amounts for the first, second and third quarters of 2018 and for 2017 are restated, refer to Note 1 and 22 of the Annual Financial Statements.

Significant Items Impacting Quarterly Results

Quarterly earnings variances include the impacts of changing production volumes and market prices.

- The first quarter 2019 loss includes a $72.6 million loss on financial commodity contracts.
- The fourth quarter 2018 loss includes a $502.5 million impairment of petroleum and natural gas assets, partially offset by a $170.3 million gain on financial commodity contracts.
- The third quarter 2018 loss includes a $48.8 million gain on the sale of oil and gas assets, primarily related to the sale of the Resthaven/Jayar Assets, and a $31.1 million loss on commodity contracts.
- The second quarter 2018 loss includes an $84.6 million loss on financial commodity contracts.
- The first quarter 2018 loss includes a $47.6 million loss on financial commodity contracts.
- The fourth quarter 2017 loss includes a $184.6 million impairment related to the Company's Shale Gas Project, a $182.9 million gain related to the Apache Canada Ltd. acquisition and $121.7 million of aggregate impairment of property, plant and equipment.
- Third quarter 2017 earnings include a $366.1 million gain related to the Apache Canada Ltd. acquisition and a $61.8 million gain related to a fair value adjustment in respect of Trilogy Energy Corp. shares held prior to the merger with Trilogy Energy Corp. in September 2017.
- Second quarter 2017 earnings include a $72.6 million gain on the sale of oil and gas assets, primarily related to the sale of the Valhalla property.

OTHER INFORMATION

Contingencies

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

In 2016, a release occurred from a non-operated pipeline in which the Company owned a 50 percent interest. The operator, and owner of the remaining 50 percent, initiated response, containment and remediation activities ("Response Activities"). Total costs to complete the Response Activities are estimated at approximately $60 million. It is Paramount's assessment that it is not responsible for the costs of the Response Activities and as a result, no provision has been recorded in the Company's financial statements.

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 relevant 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.

CHANGE IN ACCOUNTING POLICIES

The Company adopted IFRS 16, which replaced *IAS 17 – Leases* and related interpretations, effective January 1, 2019, utilizing the modified retrospective approach. The modified retrospective approach does not require prior period comparative information to be restated, rather the cumulative effect of the change is recorded as of the date of adoption.

On adoption of IFRS 16, the Company elected to use the following practical expedients permitted under the standard:

- to rely on its previous assessment of whether leases are onerous by applying *IAS 37 – Provisions, Contingent Liability's and Contingent Assets* ("IAS 37") immediately before the date of initial application as an alternative to performing an impairment review;
- to apply a single discount rate to a portfolio of leases with similar characteristics;
- to account for leases with a remaining term of less than twelve months as at January 1, 2019 as short-term leases; and
- to account for lease payments as an expense and not recognize a right-of-use ("ROU") asset if the underlying asset is of a low dollar value, as defined by IFRS 16.

As at January 1, 2019, the total carrying value of Paramount's lease liabilities was $39.3 million. On adoption of IFRS 16, the Company recognized net ROU assets of $9.5 million and aggregate accounts receivable amounts related to office subleases of $8.6 million. The unamortized carrying amount of $17.8 million related to provisions previously recorded in respect of the Company's office leases was applied against the carrying value of the right of ROU asset upon adoption.

The following table summarizes the impact of adopting IFRS 16 on the Company's balance sheet as at January 1, 2019:

As at	December 31, 2018	Effect of change	January 1, 2019
Accounts receivable	121.3	1.7	123.0
Lease receivable	–	6.9	6.9
Property, plant, and equipment, net	2,178.2	9.5	2,187.7
Accounts payable and accrued liabilities	231.2	(7.6)	223.6
Current portion of asset retirement obligations and other	32.0	8.9	40.9
Asset retirement obligations and other	789.3	16.8	806.1

Refer to the Interim Financial Statements for further details on the adoption of IFRS 16.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the three months ended March 31, 2019, there was no change in the Company's internal control over financial reporting ("ICFR") that materially affected, or is reasonably likely to materially affect, the Company's ICFR.

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

ADVISORIES

Forward-looking Information

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

- expected first sales at Wapiti;
- expected average sales volumes for 2019, including for the first half of 2019 and the fourth quarter of 2019;
- budgeted capital expenditures;
- an expected increase in sales volumes as new wells are brought-on at Wapiti;
- the expected duration of closure activities at Zama;
- exploration, development, and associated operational plans and strategies, including the timing of bringing new wells on production;
- the 6-18 Facility expansion remaining on track for start-up in the second half of 2020 and forecast spending on the expansion in 2019;
- the projected availability of third party processing facilities;
- expected funding sources for 2019 operations, obligations and capital expenditures;
- the anticipation that legal proceedings will not have a material impact on Paramount's financial position; and
- Paramount's assessment that it is not responsible for the costs of the Response Activities associated with the 2016 non-operated pipeline release.

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 natural gas and liquids prices;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates and interest rates;
- general business, economic and market conditions;
- the ability of Paramount to obtain the required capital to finance its exploration, development and other operations and meet its commitments and financial obligations;
- the ability of Paramount to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its activities;
- the ability of Paramount to secure adequate product processing, transportation, de-ethanization, fractionation, and storage capacity on acceptable terms;
- the ability of Paramount to market its natural gas and liquids successfully to current and new customers;
- the ability of Paramount and its industry partners to obtain drilling success (including in respect of anticipated production volumes, reserves additions, liquids yields and resource recoveries) and operational improvements, efficiencies and results consistent with expectations;
- the timely receipt of required governmental and regulatory approvals;
- the merits of outstanding and pending legal proceedings;
- the application of regulatory requirements respecting abandonment and reclamation; and
- anticipated timelines and budgets being met in respect of drilling programs and other operations (including well completions and tie-ins and the construction, commissioning and start-up of new and expanded facilities).

Although Paramount believes that the expectations reflected in such forward-looking information is reasonable, undue reliance should not be placed on them 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 natural gas and liquids prices;
- changes in foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future revenue, future production, reserve additions, liquids yields (including condensate to natural gas ratios), resource recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate product processing, transportation, de-ethanization, fractionation, and storage capacity on acceptable terms;
- operational risks in exploring for, developing and producing, natural gas and liquids;
- the ability to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost;
- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities (including third-party facilities);
- processing, pipeline, de-ethanization, and fractionation infrastructure outages, disruptions and constraints;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves and resources estimates;
- general business, economic and market conditions;
- the ability to generate sufficient cash flow from operations and obtain financing to fund planned exploration, development and operational activities and meet current and future commitments and

obligations (including product processing, transportation, de-ethanization, 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 enter into and maintain leases and licenses;
- the effects of weather and other factors including wildlife and environmental restrictions which affect field operations and access;
- the timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- uncertainties regarding aboriginal 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.

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, 2018 which is available on SEDAR at www.sedar.com. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, Paramount undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

Non-GAAP Measures

In this document "Adjusted funds flow", "Netback", "Net Debt", "Adjusted working capital" and "Exploration and development capital", collectively the "Non-GAAP Measures", are used and do not have any standardized meanings as prescribed by IFRS.

Adjusted funds flow refers to cash from operating activities before net changes in operating non-cash working capital, geological and geophysical expenses, asset retirement obligation settlements and transaction and reorganization costs. Adjusted funds flow is commonly used in the oil and gas industry to assist management and investors in measuring the Company's ability to fund capital programs and meet financial obligations. Refer to the Consolidated Results section of this MD&A for the calculation thereof. **Netback** equals petroleum and natural gas sales less royalties, operating costs and transportation and NGLs processing costs. Netback is commonly used by management and investors to compare the results of the Company's oil and gas operations between periods. Refer to the Operating Results section of this MD&A for the calculation thereof. **Net Debt** is a measure of the Company's overall debt position after adjusting for certain working capital and other amounts and is used by management to assess the Company's overall leverage position. Refer to the Liquidity and Capital Resources section of this MD&A for the calculation of Net Debt and **Adjusted working capital**. **Exploration and development capital** consists of the Company's spending on wells, infrastructure projects, and other property, plant and equipment and exploration and evaluation assets and excludes spending related to land and property acquisitions and corporate assets. The Exploration and development capital measure provides management and investors with information regarding the Company's capital spending on wells and infrastructure projects separate from land and property acquisition activity and corporate expenditures. Refer to the Property, Plant and Equipment and Exploration Expenditures section of this MD&A for the calculation thereof.

The Non-GAAP Measures should not be considered in isolation or construed as alternatives to their most directly comparable measure calculated in accordance with GAAP, or other measures of financial performance calculated in accordance with GAAP. The Non-GAAP Measures are unlikely to be comparable to similar measures presented by other issuers.

Oil and Gas Measures and Definitions

The term "liquids" includes oil, condensate and Other NGLs (ethane, propane and butane). NGLs consist of condensate and Other NGLs.

Abbreviations

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

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

Natural Gas	
Mcf	Thousands of cubic feet
MMcf	Millions of cubic feet
MMcf/d	Millions of cubic feet per day
GJ	Gigajoule
GJ/d	Gigajoules per day
MMbtu	Millions of British thermal units
AECO	AECO-C reference price
NYMEX	New York Mercantile Exchange

This MD&A contains disclosures expressed as "Boe", "$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the three months ended March 31, 2019, the value ratio between crude oil and natural gas was approximately 36:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value.

Interim Condensed Consolidated Financial Statements (Unaudited)
March 31, 2019

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

($ thousands)

As at	Note	March 31 2019	December 31 2018
		(Unaudited)	
ASSETS			
Current assets			
Cash and cash equivalents	13	12,865	19,295
Accounts receivable	6	126,223	121,330
Risk management	11	–	64,441
Prepaid expenses and other		9,740	9,641
		148,828	214,707
Lease receivable	6	6,440	–
Exploration and evaluation	2	718,394	719,908
Property, plant and equipment, net	3	2,219,142	2,178,181
Investments in securities	4	223,025	231,732
Deferred income tax	10	792,161	773,575
		4,107,990	4,118,103
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		223,039	231,228
Risk management	11	16,209	–
Current portion of asset retirement obligations and other	6	54,759	32,000
		294,007	263,228
Long-term debt	5	827,256	815,000
Risk management	11	10,108	–
Asset retirement obligations and other	6	815,102	789,346
		1,946,473	1,867,574
Shareholders' equity			
Share capital	7	2,185,568	2,184,608
Retained earnings (accumulated deficit)		(55,487)	21,189
Reserves	8	31,436	44,732
		2,161,517	2,250,529
		4,107,990	4,118,103

See the accompanying notes to these Interim Condensed Consolidated Financial Statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

(Unaudited)

($ thousands, except as noted)

Three months ended March 31	Note	2019	2018
			(Restated – Note 1)
Petroleum and natural gas sales		246,054	269,813
Royalties		(15,399)	(16,048)
Revenue	12	230,655	253,765
Loss on commodity contracts	11	(72,681)	(47,629)
		157,974	206,136
Expenses			
Operating expense		90,383	92,306
Transportation and NGLs processing		24,576	27,032
General and administrative		13,721	18,211
Share-based compensation	9	4,887	5,595
Depletion and depreciation	3	80,697	131,058
Exploration and evaluation	2	5,094	8,629
Gain on sale of oil and gas assets		(5,985)	(7,821)
Interest and financing	11	9,225	8,682
Accretion of asset retirement obligations	6	14,511	14,112
Change in asset retirement obligations		–	90
Closure costs	6	13,440	–
Transaction and reorganization costs		–	2,171
Gain on debt extinguishment	5	–	(3,126)
Foreign exchange		11	(1,835)
		250,560	295,104
Other income		1,996	2,525
Loss before tax		(90,590)	(86,443)
Income tax recovery			
Deferred	10	(13,914)	(21,804)
		(13,914)	(21,804)
Net loss		(76,676)	(64,639)
Other comprehensive loss, net of tax			
Items that will be reclassified to net income (loss)			
Change in fair value of interest rate swaps, net of tax	8	(9,107)	–
Items that will not be reclassified to net income (loss)			
Change in fair value of securities, net of tax	8	(7,403)	(3,312)
Comprehensive loss		(93,186)	(67,951)
Net loss per common share ($/share)	7		
Basic and Diluted		(0.59)	(0.48)

See the accompanying notes to these Interim Condensed Consolidated Financial Statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

($ thousands)

Three months ended March 31	Note	2019	2018
			(Restated – Note 1)
Operating activities			
Net loss		(76,676)	(64,639)
Add (deduct):			
Items not involving cash	13	174,129	158,080
Asset retirement obligations settled	6	(5,763)	(8,521)
Gain on debt extinguishment	5	–	(3,126)
Change in non-cash working capital		(3,168)	3,455
Cash from operating activities		88,522	85,249
Financing activities			
Net draw (repayment) of revolving long-term debt	5	12,256	(40,609)
Lease liabilities - principal repayments	6	(1,780)	–
Common shares issued, net of issue costs		39	566
Common shares repurchased under NCIB		–	(27,401)
Cash from (used in) financing activities		10,515	(67,444)
Investing activities			
Property, plant and equipment and exploration		(104,102)	(135,986)
Proceeds on sale of oil and gas assets		–	7,957
Change in non-cash working capital		(1,233)	16,928
Cash used in investing activities		(105,335)	(111,101)
Net decrease		(6,298)	(93,296)
Foreign exchange on cash and cash equivalents		(132)	2,265
Cash and cash equivalents, beginning of period		19,295	123,329
Cash and cash equivalents, end of period		12,865	32,298
Supplemental cash flow information	13		

See the accompanying notes to these Interim Condensed Consolidated Financial Statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited)

($ thousands, except as noted)

Three months ended March 31	Note	2019		2018 (Restated – Note 1)	
		Shares (000's)		*Shares (000's)*	
Share Capital					
Balance, beginning of period		*130,326*	2,184,608	*134,713*	2,249,746
Issued		*5*	56	*57*	784
Common shares purchased under NCIB	7	–	–	*(1,454)*	(27,401)
Change in vested and unvested common shares for restricted share unit plan	9	–	904	–	889
Balance, end of period		*130,331*	2,185,568	*133,316*	2,224,018
Retained Earnings (Accumulated Deficit)					
Balance, beginning of period			21,189		389,989
Net loss			(76,676)		(64,639)
Balance, end of period			(55,487)		325,350
Reserves	8				
Balance, beginning of period			44,732		26,522
Other comprehensive loss			(16,510)		(3,312)
Contributed surplus			3,214		3,794
Balance, end of period			31,436		27,004
Total Shareholders' Equity			2,161,517		2,576,372

See the accompanying notes to these Interim Condensed Consolidated Financial Statements.

1. Basis of Presentation

Paramount Resources Ltd. ("Paramount" or the "Company") is an independent, publicly traded, liquids-focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas resources. The Company also pursues long-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 its registered office is 2800, 421 – 7th Avenue S.W., Calgary, Alberta, Canada, T2P 4K9. The consolidated group includes wholly-owned subsidiaries Fox Drilling Limited Partnership, Cavalier Energy and MGM Energy. The financial statements of Paramount's subsidiaries and partnerships are prepared for the same reporting periods as the parent in accordance with the Company's accounting policies. All intercompany balances and transactions have been eliminated.

These unaudited Interim Condensed Consolidated Financial Statements of the Company, as at and for the three months ended March 31, 2019 (the "Interim Financial Statements"), were authorized for issuance by the Audit Committee of Paramount's Board of Directors on May 7, 2019.

These Interim Financial Statements have been prepared in accordance with *IAS 34 – Interim Financial Reporting* on a basis consistent with the accounting, estimation and valuation policies described in the Company's audited Consolidated Financial Statements as at and for the year ended December 31, 2018 (the "Annual Financial Statements"), except for changes in Paramount's accounting policies as a result of the adoption of *IFRS 16 – Leases* ("IFRS 16"), which are described below.

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

As described in Notes 1 and 22 of the Annual Financial Statements, effective December 31, 2018, Paramount voluntarily changed its accounting policy with respect to asset retirement obligations to utilize a credit-adjusted risk-free discount rate to determine the discounted amount of the liability presented at each balance sheet date. The Company had previously utilized a risk-free discount rate to determine the discounted amount of the liability. The change in accounting policy was applied retrospectively, including the restatement of certain comparative amounts in these Interim Financial Statements.

The Company applies hedge accounting to hedging instruments when such instruments are designated at inception as qualifying hedging relationships. Hedge effectiveness is assessed at inception, at the end of each reporting date or upon a significant change in the circumstances affecting hedge effectiveness, by assessing the critical terms of the hedging relationship. The effective portion of the change in the unrealized fair value of the hedging instrument is recognized in other comprehensive income ("OCI"). Accumulated gains or losses recorded in OCI are reclassified to earnings as amounts are settled through the term of the arrangement. Any portion of the change in the fair value of the hedging instrument related to hedge ineffectiveness is recognized in earnings.

Changes in Accounting Policies

The Company adopted IFRS 16, which replaced *IAS 17 – Leases* and related interpretations, effective January 1, 2019, utilizing the modified retrospective approach. The modified retrospective approach does not require prior period comparative information to be restated, rather the cumulative effect of the change is recorded as of the date of adoption. Paramount has established its accounting policy in accordance with IFRS 16 as follows:

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at the inception date. 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 asset.

Lessee

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 fixed lease payments, as defined by IFRS 16. 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.

Lessor

As a lessor, contractual arrangements which transfer substantially all the risks and benefits of ownership of an asset to the lessee are accounted for as finance leases. Under a finance lease, the present value of the minimum lease payments receivable from the lessee are recorded as an account receivable. Lease payments received are applied against the receivable balance, with an interest component recognized as interest revenue.

If substantially all the risks and benefits of ownership of an asset are not transferred to the lessee, the lease is classified as an operating lease and lease payments received are recognized as income over the term of the agreement.

Adoption

On adoption of IFRS 16, the Company elected to use the following practical expedients permitted under the standard:

- to rely on its previous assessment of whether leases are onerous by applying *IAS 37 – Provisions, Contingent Liability's and Contingent Assets* ("IAS 37") immediately before the date of initial application as an alternative to performing an impairment review;
- to apply a single discount rate to a portfolio of leases with similar characteristics;
- to account for leases with a remaining term of less than twelve months as at January 1, 2019 as short-term leases; and

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

- to account for lease payments as an expense and not recognize a ROU asset if the underlying asset is of a low dollar value, as defined by IFRS 16.

As at January 1, 2019, the total carrying value of Paramount's lease liabilities was $39.3 million. On adoption of IFRS 16, the Company recognized net ROU assets of $9.5 million and aggregate accounts receivable amounts related to office subleases of $8.6 million. The unamortized carrying amount of $17.8 million related to provisions previously recorded in respect of the Company's office leases was applied against the carrying value of the right of ROU asset upon adoption.

The following table summarizes the impact of adopting IFRS 16 on the Company's balance sheet as at January 1, 2019:

As at	December 31, 2018	Effect of change	January 1, 2019
Accounts receivable	121,330	1,690	123,020
Lease receivable	–	6,933	6,933
Property, plant, and equipment, net	2,178,181	9,531	2,187,712
Accounts payable and accrued liabilities	231,228	(7,541)	223,687
Current portion of asset retirement obligations and other	32,000	8,941	40,941
Asset retirement obligations and other	789,346	16,754	806,100

Refer to Note 6 for further details regarding the Company's lease and subleases arrangements.

2. Exploration and Evaluation

	Three months ended March 31, 2019	Twelve months ended December 31, 2018
Balance, beginning of period	719,908	785,764
Additions	1,519	8,300
Transfers to property, plant and equipment	(953)	(34,388)
Expired lease costs	(2,080)	(14,781)
Dispositions	–	(24,987)
Balance, end of period	718,394	719,908

Exploration and Evaluation Expense

Three months ended March 31	2019	2018
Geological and geophysical	3,014	5,183
Expired lease costs	2,080	3,446
	5,094	8,629

3. Property, Plant and Equipment

Three months ended March 31, 2019	Petroleum and natural gas assets	Drilling rigs	Right-of-use assets	Other	Total
Cost					
Balance, December 31, 2018	4,041,098	159,817	–	46,574	**4,247,489**
Right-of-use assets (1)	–	–	13,965	(4,434)	**9,531**
Balance, January 1, 2019	4,041,098	159,817	13,965	42,140	**4,257,020**
Additions	108,194	254	256	1,469	**110,173**
Transfers from exploration and evaluation	953	–	–	–	**953**
Change in asset retirement provision	1,752	–	–	–	**1,752**
Cost, end of period	4,151,997	160,071	14,221	43,609	**4,369,898**
Accumulated depletion, depreciation and impairment					
Balance, December 31, 2018	(1,961,290)	(78,865)	–	(29,153)	**(2,069,308)**
Right-of-use assets (1)	–	–	(2,158)	2,158	**–**
Balance, January 1, 2019	(1,961,290)	(78,865)	(2,158)	(26,995)	**(2,069,308)**
Depletion and depreciation	(76,886)	(2,674)	(370)	(1,639)	**(81,569)**
Dispositions	121	–	–	–	**121**
Accumulated depletion, depreciation and impairment, end of period	(2,038,055)	(81,539)	(2,528)	(28,634)	**(2,150,756)**
Net book value, December 31, 2018	2,079,808	80,952	–	17,421	**2,178,181**
Net book value, March 31, 2019	2,113,942	78,532	11,693	14,975	**2,219,142**

(1) Recognized on adoption of IFRS 16, see notes 1 and 6.

4. Investments in Securities

As at	March 31, 2019		December 31, 2018	
	Shares (000's)		*Shares (000's)*	
Strath Resources Ltd. (1)	***85,000***	**170,000**	*85,000*	170,000
MEG Energy Corp.	***3,700***	**18,870**	*3,700*	28,527
Privateco		**21,111**		21,111
Other (2)		**13,044**		12,094
		223,025		231,732

(1) Carrying value includes Strath Resources Ltd. common shares and 8.5 million Strath Resources Ltd. warrants.
(2) Includes investments in Pipestone Energy Corp., Storm Resources Ltd., Canadian Premium Sand Inc. and other public and private corporations.

Investments in publicly traded securities are carried at their period-end trading prices, which are level one fair value hierarchy inputs. Estimates of fair value for investments in the shares of private companies are based on valuation techniques that incorporate unobservable inputs (level three fair value hierarchy inputs). The valuation techniques utilize market-based metrics of comparable companies and transactions, indications of value based on equity transactions of the entities and other indicators of value.

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

5. Debt

As at	March 31, 2019	December 31, 2018
Paramount Facility	827,256	815,000

Paramount Facility

As at March 31, 2019, the Company had a $1.5 billion financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility"). The maturity date of the Paramount Facility is currently November 16, 2022, which may be extended from time-to-time at the option of Paramount and with the agreement of the lenders.

Paramount had letters of credit outstanding totaling $27.3 million as at March 31, 2019 that reduce the amount available to be drawn on the Paramount Facility.

2019 Senior Notes

In April 2018, Paramount redeemed all $300 million principal amount of the Company's outstanding 7¼ percent senior unsecured notes due 2019 (the "2019 Senior Notes") and was discharged and released from all obligations and covenants related to the notes. The redemption was funded with drawings on the Paramount Facility. The Company recorded a net gain of $3.1 million in connection with the redemption of the 2019 Senior Notes, comprised of a $6.7 million gain on redemption less the redemption premium of $3.6 million. The 2019 Senior Notes were issued by Trilogy Energy Corp. in 2012 and became Paramount's obligation through the merger with Trilogy Energy Corp. in 2017.

6. Asset Retirement Obligations and Other

As at March 31, 2019	Current	Long-term	Total
Asset retirement obligations	32,000	787,024	819,024
Lease liabilities (see note 1)	9,319	28,078	37,397
Closure costs	13,440	–	13,440
	54,759	**815,102**	**869,861**

As at December 31, 2018	Current	Long-term	Total
Asset retirement obligations	32,000	775,921	807,921
Lease provision (see note 1)	–	13,425	13,425
	32,000	789,346	821,346

Asset Retirement Obligations

	Three months ended March 31, 2019	Twelve months ended December 31, 2018
Asset retirement obligations, beginning of period	807,921	837,463
Retirement obligation additions	7,627	6,020
Revisions to estimated retirement costs	1,522	(4,038)
Revisions due to change in discount rate	–	(50,910)
Obligations settled	(5,763)	(29,390)
Dispositions	(6,794)	(8,876)
Accretion expense	14,511	57,652
Asset retirement obligations, end of period	819,024	807,921

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

As at March 31, 2019, estimated undiscounted asset retirement obligations were $1,776.9 million (December 31, 2018 – $1,785.1 million). Asset retirement obligations have been determined using a weighted average credit-adjusted risk-free discount rate of 7.5 percent (December 31, 2018 – 7.5 percent) and an inflation rate of 2.0 percent (December 31, 2018 – 2.0 percent).

Lease Liabilities

As at	March 31, 2019
Lease liabilities - current	9,319
Lease liabilities - non-current	28,078
Lease liabilities	37,397

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. A weighted average incremental borrowing rate of approximately six percent was used to determine the discounted amount of the liabilities. For the three months ended March 31, 2019, total cash payments made in respect of these lease obligations were $2.7 million, of which $0.5 million was recognized as interest and financing expense.

Operating expenses related to arrangements containing short-term and low value leases which have not been included in the lease liability were approximately $0.1 million for the three months ended March 31, 2019.

As at March 31, 2019, aggregate accounts receivable amounts of $8.3 million are due to the Company in respect of sublease arrangements for Paramount's office space, of which $1.8 million was classified as current and $6.4 million was classified as non-current. For the three months ended March 31, 2019, total cash payments received in respect of office sublease arrangements were $0.5 million, of which $0.1 million was recognized as interest revenue.

The minimum cash payments required under these lease arrangements and receivable amounts due to the Company in respect of sublease arrangements are as follows:

	Lease Payments	Sublease Receivables
April 2019 to December 2019	7,384	1,624
2020	11,053	2,378
2021	10,661	2,424
2022	9,747	2,316
2023	1,835	518
	40,680	9,260

Closure costs

In early 2019, the Company made the decision to cease its production operations at the Zama field in northern Alberta. Closure activities commenced in the first quarter of 2019 and are expected to span approximately twelve months. The Company recognized a provision of $13.4 million as at March 31, 2019 in respect of the expected costs of the Zama closure program.

7. Share Capital

As at March 31, 2019, 130,329,693 (December 31, 2018 – 130,324,943) class A common shares of the Company ("Common Shares") were outstanding, net of 574,045 (December 31, 2018 – 574,045) Common Shares held in trust under the restricted share unit plan.

In January 2019, Paramount implemented a normal course issuer bid (the "2019 NCIB") under which the Company may purchase up to 7,110,667 Common Shares for cancellation. The 2019 NCIB will terminate on the earlier of: (i) January 3, 2020; and (ii) the date on which the maximum number of Common Shares that can be acquired pursuant to the 2019 NCIB are purchased.

Paramount previously implemented a normal course issuer bid in December 2017 (the "2018 NCIB"). The Company purchased and cancelled 4,239,359 Common Shares at a total cost of $66.4 million under the 2018 NCIB, which expired on December 21, 2018.

Weighted Average Common Shares

Three months ended March 31	2019		2018	
	Wtd. Avg. Shares (000's)		*Wtd. Avg. Shares (000's)*	
Net loss – basic	***130,326***	**(76,676)**	*133,648*	(64,639)
Dilutive effect of Paramount Options	**–**	**–**	–	–
Net loss – diluted	***130,326***	**(76,676)**	*133,648*	(64,639)

Outstanding stock options that can be exchanged for the Company's Common Shares are potentially dilutive and are included in Paramount's diluted per share calculations when they are dilutive to net income per share. There were 12.2 million options to acquire Common Shares outstanding at March 31, 2019 (March 31, 2018 – 9.6 million), all of which were anti-dilutive.

8. Reserves

Three months ended March 31, 2019	Unrealized losses on securities	Unrealized losses on interest rate swaps	Contributed surplus	Total Reserves
Balance, beginning of period	(99,052)	–	143,784	**44,732**
Other comprehensive loss, before tax	(8,707)	(12,476)	–	**(21,183)**
Deferred tax	1,304	3,369	–	**4,673**
Share-based compensation	–	–	3,231	**3,231**
Options exercised	–	–	(17)	**(17)**
Balance, end of period	(106,455)	(9,107)	146,998	**31,436**

9. Share-Based Compensation

Options to Acquire Common Shares of Paramount ("Paramount Options")

	Three months ended March 31, 2019		Twelve months ended December 31, 2018	
	Number	Weighted average exercise price ($/share)	*Number*	Weighted average exercise price ($/share)
Balance, beginning of period	*12,465,163*	15.67	*10,028,920*	19.12
Granted	*55,000*	8.05	*3,726,500*	8.18
Exercised [(1)]	*(4,750)*	8.17	*(79,536)*	9.80
Forfeited	*(304,562)*	16.68	*(1,168,710)*	21.42
Expired	–	–	*(42,011)*	26.73
Balance, end of period	*12,210,851*	15.61	*12,465,163*	15.67
Options exercisable, end of period	*3,517,655*	18.08	*3,620,293*	18.09

(1) For Paramount Options exercised during the three months ended March 31, 2019, the weighted average market price of Paramount's Common Shares on the dates exercised was $8.95 per share (twelve months ended December 31, 2018 – $16.70 per share).

Restricted Share Unit Plan – Shares Held in Trust

	Three months ended March 31, 2019		Twelve months ended December 31, 2018	
	Shares (000's)		*Shares (000's)*	
Balance, beginning of period	*574*	2,209	*346*	2,366
Shares purchased	–	–	*548*	9,219
Change in vested and unvested shares	–	(904)	*(320)*	(9,376)
Balance, end of period	*574*	1,305	*574*	2,209

10. Income Tax

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

Three months ended March 31	**2019**	**2018**
Loss before tax	(90,590)	(86,443)
Effective Canadian statutory income tax rate	27.0%	27.0%
Expected income tax recovery	(24,459)	(23,340)
Effect on income taxes of:		
Gain on redemption of 2019 Senior Notes	–	(1,823)
Change in unrecognized deferred income tax asset	238	192
Share-based compensation	873	1,084
Non-deductible items and other	9,434	2,083
Income tax recovery	(13,914)	(21,804)

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

11. Financial Instruments and Risk Management

As at	March 31, 2019	December 31, 2018
Financial commodity contracts	–	64,441
Risk management asset	–	64,441

As at	March 31, 2019	December 31, 2018
Financial commodity contracts	13,841	–
Interest rate swaps	12,476	–
Risk management liability	26,317	–

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

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

Changes in the fair value of risk management assets and liabilities are as follows:

	Three months ended March 31, 2019	Twelve months ended December 31, 2018
Fair value, beginning of period	64,441	(19,060)
Changes in fair value – financial commodity contracts	(72,681)	7,026
Changes in fair value – interest rate swaps	(12,476)	–
Settlements paid (received)	(5,601)	76,475
Fair value, end of period	(26,317)	64,441

Financial Commodity Contracts

The Company had the following financial commodity contracts in place as at March 31, 2019:

Instruments	Aggregate notional	Average fixed price	Fair value	Remaining Term
Oil – NYMEX WTI Swaps (Sale)	14,000 Bbl/d	CDN$77.05/Bbl	(12,479)	April 2019 – December 2019
Oil – NYMEX WTI Calls (Sale)	2,000 Bbl/d	CDN$82.00/Bbl (1)	(1,138)	April 2019 – December 2019
Other			(224)	
			(13,841)	

(1) Paramount sold NYMEX WTI call options for 2,000 Bbl/d of liquids at an exercise price of CDN$82.00 per barrel, for which the Company will receive a premium of CDN$2.65 per barrel.

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

Subsequent to March 31, 2019, the Company entered into the following financial commodity contracts:

Instruments	Aggregate notional	Average fixed price	Remaining term
Oil – NYMEX WTI Swaps (Sale)	1,000 Bbl/d	CDN$85.00/Bbl	April 2019 – December 2019
Oil – NYMEX WTI Swaps (Sale)	3,000 Bbl/d	CDN$80.07/Bbl	January 2020 – December 2020

Interest Rate Swaps

The Company had the following floating-to-fixed interest rate swaps in place as at March 31, 2019:

Contract Type	Aggregate notional	Maturity Date	Fixed Contract Rate	Reference	Fair value
Interest Rate Swaps	$250 million	January 2023	2.3%	CDOR (1)	**(4,381)**
Interest Rate Swaps	$250 million	January 2026	2.4%	CDOR (1)	**(8,095)**
					(12,476)

(1) Canadian Dollar Offered Rate

In the first quarter of 2019, Paramount entered into interest rate swap arrangements to manage the uncertainty of variable interest rates by fixing the variable component of a portion of the interest paid on the Company's long-term debt. The Company classified these arrangements as cash flow hedges and applied hedge accounting. As at March 31, 2019, there were no changes to the critical terms of the hedging relationship and no hedge ineffectiveness was identified.

12. Revenue By Product

Three months ended March 31	2019	2018
Natural gas	**93,347**	81,877
Condensate and oil	**134,805**	160,203
Other natural gas liquids	**16,148**	23,656
Royalty and sulphur	**1,754**	4,077
Royalties expense	**(15,399)**	(16,048)
	230,655	253,765

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

13. Consolidated Statement of Cash Flows - Selected Information

Items Not Involving Cash

Three months ended March 31	2019	2018
Commodity contracts	78,282	35,368
Share-based compensation	4,887	5,595
Depletion and depreciation (1)	80,697	131,058
Exploration and evaluation	2,080	3,446
Gain on sale of oil and gas assets (1)	(5,985)	(7,821)
Accretion of asset retirement obligations (1)	14,511	14,112
Foreign exchange	132	(1,887)
Change in asset retirement obligations (1)	–	90
Closure costs	13,440	–
Deferred income tax (1)	(13,914)	(21,804)
Other	(1)	(77)
	174,129	158,080

(1) 2018 amounts restated, refer to Note 1.

Supplemental Cash Flow Information

Three months ended March 31	2019	2018
Interest paid	8,342	3,057

Components of Cash and Cash Equivalents

As at	March 31, 2019	December 31, 2018
Cash	12,865	19,295
Cash equivalents	–	–
	12,865	19,295

14. 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.

In 2016, a release occurred from a non-operated pipeline in which the Company owned a 50 percent interest. The operator, and owner of the remaining 50 percent, initiated response, containment and remediation activities ("Response Activities"). Total costs to complete the Response Activities are estimated at approximately $60 million. It is Paramount's assessment that it is not responsible for the costs of the Response Activities and as a result, no provision has been recorded in the Company's financial statements.

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 relevant 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

B. K. Lee
Executive Vice President, Finance and Chief Financial Officer

E. M. Shier
General Counsel, Corporate Secretary and Vice President, Land

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

P. R. Kinvig
Vice President Finance, Capital Markets

DIRECTORS

J. H. T. Riddell (2)
President and Chief Executive Officer and Chairman
Paramount Resources Ltd.
Calgary, Alberta

J. G. M. Bell (1) (3) (4)
President and Chief Executive Officer
Founders Advantage Capital Corp.
Calgary, Alberta

W. A. Gobert (3) (4) (5)
Independent Businessman
Calgary, Alberta

J. C. Gorman (1) (4) (5)
Independent Businessman
Calgary, Alberta

D. Jungé C.F.A. (2) (4)
Chairman of the Board
Pitcairn Trust Company
Bryn Athyn, Pennsylvania

R. M. MacDonald (1) (4)
Independent Businessman
Oakville, Ontario

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

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

J. B. Roy (1) (3) (4)
Independent Businessman
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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The Bank of Nova Scotia

HSBC Bank Canada

Royal Bank of Canada

Canadian Imperial Bank of Commerce

National Bank of Canada

ATB Financial

The Toronto-Dominion Bank

Export Development Canada

RESERVES EVALUATORS

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

AUDITORS

Ernst & Young LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
(“POU”)