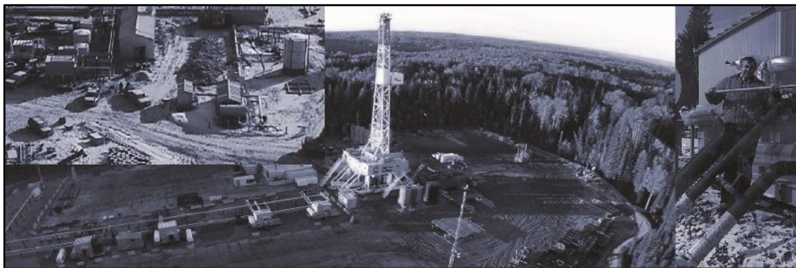

Second Quarter 2019 Results

Paramount Resources Ltd. Reports Second Quarter 2019 Results

Calgary, Alberta – August 8, 2019

HIGHLIGHTS

- Sales volumes averaged 81,793 Boe/d (37 percent liquids) in the second quarter of 2019.
- Paramount's second quarter netback was $82.1 million compared to $115.7 million in the first quarter of 2019, primarily as a result of weaker natural gas and NGLs prices. Second quarter 2019 operating costs of $86.8 million ($11.66 per Boe) were lower than first quarter operating costs of $90.4 million ($12.35 per Boe).
- The liquids-rich Karr and Wapiti Montney developments accounted for $46.1 million (56 percent) of the Company's total netback in the second quarter.
- Cash from operating activities was $48.1 million in the second quarter of 2019. Adjusted funds flow was $54.2 million ($0.41 per share).
- The Company commenced production from the Wapiti 9-3 pad on an intermittent basis in May and June 2019 as the start-up and commissioning of the new third-party Wapiti gas plant progressed. Estimated Wapiti sales volumes for July averaged approximately 6,300 Boe/d, including approximately 10.5 MMcf/d of natural gas and 4,500 Bbl/d of liquids, as runtime at the plant increased.
- The five wells started-up on the Wapiti 9-3 pad that have produced for at least 60 days had an average wellhead CGR of 376 Bbl/MMcf over their first 60 producing days, significantly exceeding internal type curves.(1)
- On August 1, 2019, Paramount closed the sale of its Karr 6-18 natural gas facility (the "6-18 Facility") for total cash proceeds of approximately $330 million (the "Midstream Transaction"). The cash proceeds included the reimbursement of approximately $75 million of capital expenditures related to the expansion of the 6-18 Facility ("D2"), which is scheduled to be commissioned in the second half of 2020. As a consequence of the Midstream Transaction, operating costs at Karr will increase in the second half of 2019 due to incremental processing fees.
- Paramount's June 30, 2019 long-term debt balance, pro forma the closing of the Midstream Transaction, was approximately $585 million. The Company has a $1.5 billion bank credit facility that matures in November 2022.
- Paramount's sales volumes averaged 81,546 Boe/d in the first half of 2019. Sales volumes are expected to increase in the second half of the year at Wapiti, Karr and Kaybob South Duvernay, with fourth quarter sales volumes expected to average between 85,000 Boe/d and 90,000 Boe/d. The Company is reaffirming its annual average production guidance of between 81,000 Boe/d and 85,000 Boe/d.
- Base capital spending totaled $86.0 million for the second quarter and $154.6 million for the first half of 2019, primarily related to the Wapiti, Karr and Kaybob South Duvernay developments. The Company continues to expect 2019 annual spending to be in line with its $350 million base capital budget.

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(1) CGR means condensate to gas ratio and is calculated by dividing raw wellhead oil, condensate and other hydrocarbon liquids ("Wellhead Liquids") volumes by raw wellhead natural gas volumes. The stated CGRs exclude days when the wells did not produce. CGRs stated are over a short period of time and, therefore, are not necessarily indicative of long-term performance.

REVIEW OF OPERATIONS

Paramount's sales volumes averaged 81,793 Boe/d in the second quarter of 2019. Cash from operating activities was $48.1 million compared to $88.5 million in the first quarter of 2019. Second quarter revenues were reduced by $45.4 million due to weaker AECO and US natural gas prices. NGLs prices were also lower in the second quarter of 2019, resulting in a 57 percent decrease in NGLs revenue despite higher sales volumes. Second quarter adjusted funds flow was $54.2 million ($0.41 per share) compared to $100.5 million ($0.77 per share) in the first quarter of 2019. Operating costs were $86.8 million ($11.66 per Boe) in the second quarter of 2019, four percent lower than first quarter operating costs of $90.4 million ($12.35 per Boe).

In response to seasonally weak natural gas prices, the Company temporarily shut-in approximately 600 Boe/d of dry gas production in the Kaybob Region in June 2019. Paramount permanently shut-in its Hawkeye property in late-2018 and its Zama property in the first half of 2019 due to challenging economics. In total, the Company has shut-in approximately 2,100 Boe/d of uneconomic production since the fourth quarter of 2018 as it focuses on operating profitably and reducing operating costs.

Base capital spending totaled $86.0 million in the second quarter of 2019, primarily related to drilling and completion programs at Wapiti and Karr in the Grande Prairie Region and at South Duvernay in the Kaybob Region. The Company also incurred $11.0 million of capital spending in the second quarter related to the D2 expansion project at the 6-18 Facility, which was reimbursed on closing of the Midstream Transaction. Second quarter 2019 field activities also included $2.0 million of asset retirement obligation settlements. Paramount plans to increase production, including a higher proportion of liquids, in the second half of the year as new liquids-rich Montney and Duvernay wells from the 2019 capital program are brought-on production.

GRANDE PRAIRIE REGION

Karr

	Q2 2019		Q1 2019	
Sales volumes				
Natural gas (MMcf/d)	**68.5**		75.0	
Condensate and oil (Bbl/d)	**8,858**		10,712	
Other NGLs (Bbl/d)	**1,505**		1,579	
Total (Boe/d)	**21,782**		24,786	
% liquids	***48%***		*50%*	
Netback	($ millions)	*($/Boe)*	($ millions)	*($/Boe)*
Petroleum and natural gas sales	**72.0**	***36.32***	89.0	*39.89*
Royalties	**(9.8)**	***(4.90)***	(7.4)	*(3.31)*
Operating expense	**(20.1)**	***(10.14)***	(21.4)	*(9.59)*
Transportation and NGLs processing	**(5.2)**	***(2.65)***	(7.4)	*(3.33)*
	36.9	***18.63***	52.8	*23.66*

Second quarter 2019 sales volumes at Karr averaged 21,782 Boe/d compared to 24,786 Boe/d in the first quarter of 2019. The decrease in the netback at Karr in the second quarter was primarily caused by lower natural gas prices and lower production.

Production levels at Karr in the second quarter were impacted by natural declines and the temporary shut-in of certain wells due to offsetting completion activities at the 4-24 pad and drilling operations at the 1-19 pad. The Company scheduled completion operations for the 5 (5.0 net) Montney wells on the 4-24 pad after spring breakup to capture cost savings from operating in warmer conditions. The 4-24 pad is scheduled to start-up in the third quarter.

Paramount is drilling 3 (3.0 net) new Montney wells on the 1-19 pad, which are scheduled to be completed in the third quarter and onstream in the fourth quarter of 2019. Karr area sales volumes are expected to increase through the second half of the year as new production is added from these two new pads. Production levels in July were impacted by a previously scheduled 10-day turnaround at the 6-18 Facility.

The Company drilled its initial Lower Montney well (the 00/4-25 well in the table below) in 2018 and two additional wells in the current year development program are also targeting the Lower Montney. The 4-24 and 1-19 pads each include one Lower Montney well, and these wells are scheduled to be brought-on production in the third and fourth quarters, respectively. 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 at the end of the year 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	338	195	227	319
02/04-25-065-05W6/0	1,703	951	211	405	199	161	301
00/01-26-065-05W6/0	1,878	1,180	282	460	259	215	320
02/01-26-065-05W6/0	2,108	1,333	287	371	216	232	268
00/02-26-065-05W6/0	2,058	1,286	278	519	300	228	313
2016/2017 Wells							
27 wells (Peak 30 day – avg. per well)	1,971	1,186	252	16,366	8,506	180	586 (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 Wellhead 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 July 31, 2019. Natural gas sales volumes are approximately 10 percent lower and Wellhead 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 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

Sales volumes at Wapiti averaged 3,903 Boe/d in the second quarter of 2019, including 5.5 MMcf/d of natural gas and 2,982 Bbl/d of liquids, and generated a netback of $9.2 million ($25.94 per Boe). Paramount began flowing test volumes from up to nine of the 11 (11.0 net) new wells on the 9-3 pad in May 2019 as part of the commissioning program at the new third-party Wapiti natural gas processing plant (the "Wapiti Plant"). The start-up of the two remaining wells were intentionally delayed due to completion activities at Paramount's offsetting 5-3 pad. Production was intermittent as the commissioning program progressed, and fuel gas and shrink losses were higher through the start-up period. Shrink losses are expected to diminish as operations at the Wapiti Plant continue to stabilize and throughput increases.

Estimated sales volumes at Wapiti in July averaged approximately 6,300 Boe/d, including approximately 10.5 MMcf/d of natural gas and 4,500 Bbl/d of liquids, as production from the 9-3 pad increased due to higher runtime at the Wapiti Plant. Wells at Wapiti continue to be produced at restricted rates.

The wells on the 9-3 pad are the Company's first Wapiti wells fracked with the same completion design as utilized at Karr. This 11-well pad consists of a six-well block drilled to the south and a five-well block drilled to the north. The north and south blocks are specifically designed to test landing zone and spacing patterns. Initial well results have indicated significantly higher CGR's than third-party offsetting wells which were completed with a different completion design. The five wells started-up on the Wapiti 9-3 pad that have produced for at least 60 days had an average wellhead CGR of 376 Bbl/MMcf over their first 60 producing days.(1)

Second quarter 2019 capital spending at Wapiti was $21.3 million, focused on completion operations for 12 (12.0 net) wells on the new 5-3 pad, which were drilled in the first quarter of 2019. All 12 wells are scheduled to be completed by the end of the third quarter. This pad is scheduled to be equipped and brought-on production in the fourth quarter.

KAYBOB REGION

Kaybob Region sales volumes averaged 37,127 Boe/d (31 percent liquids) in the second quarter of 2019 compared to 37,143 Boe/d (32 percent liquids) in the first quarter of the year. Capital spending totaled $29.2 million in the second quarter, with development activities focused on well completions and tie-ins of new Duvernay and Montney wells.

Kaybob South Duvernay

At Kaybob South Duvernay, 5 (2.5 net) new wells on the 2-28 pad were drilled between September 2018 and January 2019 and completed in the spring of 2019. These wells were tied-in and brought-on production in late-June 2019. These five wells averaged 1,104 Boe/d of production per well over their first 30 days of production, with an average wellhead CGR of 179 Bbl/MMcf.(2)

Kaybob Smoky Duvernay

In November 2018, the Company brought 4 (4.0 net) new wells on production on the 10-35 pad at Kaybob Smoky Duvernay through Paramount's Smoky 06-16 gas plant. The Company is continuing to monitor the performance of these wells and optimize processes at the 06-16 plant as a full field development strategy is evaluated for this play. These wells have exceeded previous type curve estimates for this play in this area. The following table summarizes the performance of the four wells on the 10-35 pad:

(1) Calculated over the initial 60 days of production for each well. Production measured at the wellhead, excluding days when the wells did not produce. CGRs stated are over a short period of time and, therefore, are not necessarily indicative of long-term performance.

(2) Production measured at the wellhead. Natural gas sales volumes are approximately nine percent lower and Wellhead Liquids sales volumes are approximately 28 percent lower due to shrinkage. Excludes days when the wells did not produce. The production rates and volumes stated are over a short period of time and, therefore, are not necessarily indicative of average daily production, long-term performance or of ultimate recovery from the wells.

	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)	
10-35 Pad							
00/16-25-063-21W5/0	1,452	998	366	212	138	311	282
00/08-25-063-21W5/0	1,345	897	334	246	148	252	291
02/01-25-063-21W5/0	1,303	728	211	265	160	254	246
00/09-25-063-21W5/2	1,150	779	350	185	119	301	252

(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 12 percent lower and Wellhead Liquids sales volumes are approximately 4 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 July 31, 2019. Natural gas sales volumes are approximately 12 percent lower and Wellhead Liquids sales volumes are approximately 4 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 calculated by dividing raw Wellhead Liquids volumes by raw wellhead natural gas volumes.

Kaybob Montney

At the Montney Oil development, 4 (4.0 net) new wells have been brought-on production in 2019. The Kaybob Region drilling program for 2019 also included an initial appraisal well at the Ante Creek Montney property. This well has been completed and is scheduled to be brought-on production in the third quarter.

CENTRAL ALBERTA AND OTHER REGION

Central Alberta and Other Region sales volumes averaged 18,862 Boe/d in the second quarter of 2019 compared to 18,623 Boe/d in the first quarter of 2019. The Company participated in drilling operations for one (0.5 net) well at Birch in northeast British Columbia, which was completed and brought-on production in the second quarter of 2019.

At the Zama property in northern Alberta, the Company took advantage of dry weather conditions and completed the full shut-down of area production by the end of June 2019, three months ahead of schedule. The closure program will continue through the balance of the year to permanently abandon over 1,000 kilometers of pipelines and suspend all facilities. The closure of Zama is anticipated to cost $13.4 million and will result in a material reduction in the Company’s future operating expenses.

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.

Paramount has recently completed a project in the Kaybob and Central Alberta and Other Regions, under budget and ahead of schedule, which included the replacement of approximately 1,700 high-bleed controllers with modern low-bleed units at a total cost of $3.0 million. These low-bleed controllers are expected to eliminate approximately 120,000 tonnes of GHG emissions annually. The project is anticipated to generate approximately $9.0 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 has 16,000 Bbl/d of liquids hedged for the remainder of 2019 at an average price of $78.05/Bbl and 4,000 Bbl/d hedged for 2020 at an average price of $80.11/Bbl.

As at June 30, 2019, the Company had a $1.5 billion bank credit facility with a maturity date of November 16, 2022.

The Company's June 30, 2019 long-term debt balance, pro forma the closing of the Midstream Transaction, was approximately $585 million.

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. In July 2019, the Company purchased 33,100 shares for cancellation at a total cost of $0.2 million.

As a result of a reduction in Alberta income tax rates enacted in the second quarter of 2019, the carrying value of the Company's deferred tax asset was reduced by approximately $106 million, with a corresponding charge to deferred tax expense.

FINANCIAL AND OPERATING RESULTS [1]

($ millions, except as noted)

	Q2 2019		Q1 2019	
Net loss	(121.0)		(76.7)	
per share – basic and diluted ($/share)	*(0.93)*		*(0.59)*	
Cash from operating activities	48.1		88.5	
Adjusted funds flow	54.2		100.5	
per share – basic and diluted ($/share)	*(0.41)*		*(0.77)*	
Total assets	4,031.8		4,108.0	
Long-term debt	909.7		827.3	
Net debt	964.8		903.3	
Common shares outstanding *(thousands)*	130,912		130,904	
Sales volumes				
Natural gas (MMcf/d)	309.7		308.0	
Condensate and oil (Bbl/d)	23,312		23,679	
Other NGLs (Bbl/d) [3]	6,859		6,284	
Total (Boe/d)	81,793		81,296	
% liquids	*37%*		*37%*	
Grande Prairie Region (Boe/d)	25,804		25,530	
Kaybob Region (Boe/d)	37,127		37,143	
Central Alberta and Other Region (Boe/d)	18,862		18,623	
Total (Boe/d)	81,793		81,296	
Netback		*$/Boe* [2]		*$/Boe* [2]
Natural gas revenue	49.5	*1.76*	93.3	*3.37*
Condensate and oil revenue	150.7	*71.02*	134.8	*63.26*
Other NGLs revenue [3]	6.9	*11.01*	16.2	*28.55*
Royalty and sulphur revenue	2.1	—	1.8	—
Petroleum and natural gas sales	209.2	*28.10*	246.1	*33.63*
Royalties	(18.7)	*(2.51)*	(15.4)	*(2.10)*
Operating expense	(86.8)	*(11.66)*	(90.4)	*(12.35)*
Transportation and NGLs processing [4]	(21.6)	*(2.91)*	(24.6)	*(3.36)*
Netback	82.1	*11.02*	115.7	*15.82*
Commodity contract settlements	(2.8)	*(0.37)*	5.6	*0.77*
Netback including commodity contract settlements	79.3	*10.65*	121.3	*16.59*
Exploration and Development Capital [5]				
Grande Prairie Region	56.2		33.2	
Karr 6-18 Facility Expansion	11.0		34.5	
Kaybob Region	29.2		27.4	
Central Alberta and Other Region	0.4		5.5	
Total	96.8		100.6	
Asset retirement obligations settlements	2.0		5.8	

(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. This table contains the following Non-GAAP measures: Net Debt, Netback, Adjusted Funds Flow and Exploration and Development Capital.
(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 second 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.

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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 average sales volumes for 2019 and in the fourth quarter of 2019;
- budgeted capital expenditures and the expectation that 2019 annual spending will be in line with the base capital budget;
- the expected increase in sales volumes (and the liquids component thereof) in the second half of 2019 as additional new wells are brought-on production;
- an expected decrease in shrink losses at Wapiti as the Wapiti Plant continues to stabilize and throughput increases;
- the timing of commissioning of the 6-18 Facility expansion;
- the scheduled completion of the Zama closure program by year-end 2019, the anticipated costs thereof and the impact on future operating costs;
- 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, closure cost expenditures and transaction and reorganization costs. Adjusted funds flow is used to assist management and investors in measuring the Company's ability to fund capital programs and meet financial obligations, including the settlement of asset retirement obligations. Refer to the Consolidated Results section of the Company's Management's Discussion and Analysis for the three and six months ended June 30, 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 and six months ended June 30, 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 and six months ended June 30, 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 and six months ended June 30, 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 six months ended June 30, 2019, the value ratio between crude oil and natural gas was approximately 47:1. 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 raw Wellhead Liquids volumes by raw wellhead natural gas volumes. "Wellhead Liquids" means oil, condensate and other hydrocarbon liquids. 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.

Paramount resources ltd.

Management's Discussion and Analysis
For the three and six months ended June 30, 2019

This Management's Discussion and Analysis ("MD&A"), dated August 7, 2019 should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the three and six months ended June 30, 2019 (the "Interim Financial Statements") and Paramount's audited Consolidated Financial Statements as at and for the year ended December 31, 2018 (the "Annual Financial Statements"). Financial information 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 Change 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 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 primarily focused on Montney developments at Karr and Wapiti;
- the Kaybob Region, located in west-central Alberta, which is primarily focused on Montney and Duvernay developments at Kaybob, Smoky, 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 June 30		Six months ended June 30	
	2019	2018	2019	2018
FINANCIAL				
Petroleum and natural gas sales	**209.2**	239.7	**455.2**	509.5
Net loss [(2)]	**(121.0)**	(119.0)	**(197.7)**	(183.6)
Per share – basic & diluted ($/share)	***(0.93)***	*(0.90)*	***(1.52)***	*(1.38)*
Cash from operating activities	**48.1**	52.0	**136.6**	137.2
Per share – basic & diluted ($/share)	***0.37***	*0.39*	***1.05***	*1.03*
Adjusted funds flow	**54.2**	62.6	**154.6**	160.3
Per share – basic & diluted ($/share)	***0.41***	*0.47*	***1.19***	*1.20*
Total assets [(2)]			**4,031.8**	4,490.1
Long-term debt			**909.7**	758.9
Net debt			**964.8**	853.8
Common shares outstanding (thousands)			**130,912**	132,759
OPERATIONAL				
Sales volumes				
Natural gas (MMcf/d)	**309.7**	334.1	**308.9**	342.5
Condensate and oil (Bbl/d)	**23,312**	23,815	**23,494**	24,599
Other NGLs (Bbl/d) [(3)]	**6,859**	7,242	**6,573**	7,767
Total (Boe/d)	**81,793**	86,741	**81,546**	89,457
Realized prices				
Natural gas revenue ($/Mcf)	**1.76**	1.71	**2.56**	2.16
Condensate and oil revenue ($/Bbl)	**71.02**	77.25	**67.13**	73.58
Other NGLs revenue ($/Bbl) [(3)]	**11.01**	27.35	**19.35**	29.65
Petroleum and natural gas sales ($/Boe)	**28.10**	30.37	**30.84**	31.47
Property, plant and equipment and exploration expenditures	**100.3**	181.7	**204.4**	317.7
Net wells drilled	**1**	22	**19**	41

(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 and Net Debt.
(2) 2018 restated, refer to Note 1 and 22 of the Annual Financial Statements.
(3) Other NGLs means ethane, propane and butane.

CONSOLIDATED RESULTS

Net Loss

Paramount recorded a net loss of $121.0 million for the three months ended June 30, 2019 compared to a net loss of $119.0 million in the same period in 2018. Significant factors contributing to the change are shown below:

Three months ended June 30	
Net loss – 2018	**(119.0)**
• Income tax expense in 2019, mainly due to a reduction in Alberta income tax rates, compared to a recovery in 2018	(143.9)
• Lower netback in 2019 mainly due to lower liquids prices and lower sales volumes	(21.5)
• Higher interest and financing costs in 2019	(4.2)
• Gain on commodity contracts in 2019 compared to a loss in 2018	112.2
• Lower depletion and depreciation in 2019 mainly due to a change in depletion rate methodology in the fourth quarter of 2018	49.9
• Gain on the sale of oil and gas assets in 2019 compared to a loss in 2018	3.9
• Other	1.6
Net loss – 2019	**(121.0)**

Paramount recorded a net loss of $197.7 million for the six months ended June 30, 2019 compared to a net loss of $183.6 million in the same period in 2018. Significant factors contributing to the change are shown below:

Six months ended June 30	
Net loss – 2018	**(183.6)**
• Income tax expense in 2019, mainly due to a reduction in Alberta income tax rates, compared to a recovery in 2018	(151.8)
• Lower netback in 2019, mainly due to lower liquids prices and lower sales volumes, partially offset by higher natural gas prices	(40.2)
• Closure program provision recognized in respect of the Zama field in 2019	(13.4)
• Higher interest and financing costs in 2019	(4.7)
• Lower depletion and depreciation in 2019 mainly due to a change in depletion rate methodology in the fourth quarter of 2018	100.2
• Lower loss on commodity contracts in 2019	87.2
• Lower exploration and evaluation costs in 2019	4.8
• Transaction and reorganization costs in 2018	4.3
• Other	(0.5)
Net loss – 2019	**(197.7)**

Cash From Operating Activities / Adjusted Funds Flow (1)

The following is a reconciliation of cash from operating activities to adjusted funds flow:

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Cash from operating activities	**48.1**	52.0	**136.6**	137.2
Change in non-cash working capital	**(2.4)**	(0.6)	**0.7**	(4.0)
Transaction and reorganization costs	**–**	2.1	**–**	4.3
Geological and geophysical expenses	**2.1**	3.1	**5.1**	8.3
Closure cost expenditures	**4.4**	–	**4.4**	–
Asset retirement obligations settled	**2.0**	6.0	**7.8**	14.5
Adjusted funds flow	**54.2**	62.6	**154.6**	160.3
Adjusted funds flow (*$/Boe*)	**7.28**	7.93	**10.47**	9.90

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

Cash from operating activities for the three months ended June 30, 2019 was $48.1 million compared to $52.0 million for the same period in 2018. Significant factors contributing to the change are shown below:

Three months ended June 30	
Cash from operating activities – 2018	**52.0**
• Lower netback in 2019 mainly due to lower liquids prices and lower sales volumes	(21.5)
• Closure program expenditures in respect of the Zama field in 2019	(4.4)
• Higher interest and financing costs in 2019	(4.2)
• Lower payments on commodity contract settlements in 2019	22.0
• Lower asset retirement obligation settlements in 2019	4.0
• Other	0.2
Cash from operating activities – 2019	**48.1**

Adjusted funds flow was $54.2 million in the second quarter of 2019 compared to $62.6 million in the second quarter of 2018. The decrease in adjusted funds flow was primarily due to a lower netback and higher interest expense, partially offset by lower payments on commodity contract settlements.

Cash from operating activities for the six months ended June 30, 2019 was $136.6 million compared to $137.2 million for the same period in 2018. Significant factors contributing to the change are shown below:

Six months ended June 30	
Cash from operating activities – 2018	**137.2**
• Lower netback in 2019, mainly due to lower liquids prices and lower sales volumes, partially offset by higher natural gas prices	(40.2)
• Higher interest and financing costs in 2019	(4.7)
• Closure program expenditures in respect of the Zama field in 2019	(4.4)
• Receipts on commodity contract settlements in 2019 compared to payments in 2018	39.9
• Lower asset retirement obligation settlements in 2019	6.7
• Transaction and reorganization costs in 2018	4.3
• Other	(2.2)
Cash from operating activities – 2019	**136.6**

Adjusted funds flow was $154.6 million in the first half of 2019 compared to $160.3 million in the first half of 2018. The decrease in adjusted funds flow was primarily due to a lower netback and higher interest expense, partially offset by receipts on commodity contract settlements in 2019 compared to payments in 2018.

OPERATING RESULTS

Netback [1]

	Three months ended June 30				Six months ended June 30			
	2019		2018		2019		2018	
		($/Boe)[2]		*($/Boe)[2]*		*($/Boe)[2]*		*($/Boe)[2]*
Natural gas revenue	**49.5**	***1.76***	52.1	*1.71*	**142.8**	***2.56***	134.0	*2.16*
Condensate and oil revenue	**150.7**	***71.02***	167.4	*77.25*	**285.5**	***67.13***	327.6	*73.58*
Other NGLs revenue [3]	**6.9**	***11.01***	18.0	*27.35*	**23.0**	***19.35***	41.7	*29.65*
Royalty and sulphur revenue	**2.1**	***–***	2.2	*–*	**3.9**	***–***	6.2	*–*
Petroleum and natural gas sales	**209.2**	***28.10***	239.7	*30.37*	**455.2**	***30.84***	509.5	*31.47*
Royalties	**(18.7)**	***(2.51)***	(22.4)	*(2.84)*	**(34.0)**	***(2.31)***	(38.4)	*(2.37)*
Operating expense	**(86.8)**	***(11.66)***	(94.8)	*(12.01)*	**(177.2)**	***(12.01)***	(187.1)	*(11.56)*
Transportation and NGLs processing [4]	**(21.6)**	***(2.91)***	(18.9)	*(2.40)*	**(46.2)**	***(3.13)***	(46.0)	*(2.84)*
Netback	**82.1**	***11.02***	103.6	*13.12*	**197.8**	***13.39***	238.0	*14.70*
Commodity contract settlements	**(2.8)**	***(0.37)***	(24.8)	*(3.15)*	**2.8**	***0.19***	(37.1)	*(2.29)*
Netback including commodity contract settlements	**79.3**	***10.65***	78.8	*9.97*	**200.6**	***13.58***	200.9	*12.41*

(1) Readers are referred to the advisories concerning Non-GAAP measures in the Advisories section of this document.
(2) Natural gas revenue shown per Mcf.
(3) Other NGLs means ethane, propane and butane.
(4) Includes downstream natural gas, NGLs and oil transportation costs and NGLs fractionation costs.

Petroleum and natural gas sales were $209.2 million in the second quarter of 2019, a decrease of $30.5 million from the second quarter of 2018. Petroleum and natural gas sales were $455.2 million for the six months ended June 30, 2019, a decrease of $54.3 million compared to the same period in 2018. The decreases were primarily due to lower liquids prices and lower sales volumes, including as a result of the sale of the Resthaven/Jayar properties in 2018, partially offset by higher natural gas prices. Other NGLs revenue decreased in the first half of 2019 primarily due to lower butane 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 June 30, 2018	52.1	167.4	18.0	2.2	239.7
Effect of changes in sales volumes	(3.8)	(3.5)	(1.0)	–	(8.3)
Effect of changes in prices	1.2	(13.2)	(10.1)	–	(22.1)
Change in royalty and sulphur revenue	–	–	–	(0.1)	(0.1)
Three months ended June 30, 2019	**49.5**	**150.7**	**6.9**	**2.1**	**209.2**

	Natural Gas	Condensate and Oil	Other NGLs	Royalty and Sulphur	Total
Six months ended June 30, 2018	134.0	327.6	41.7	6.2	509.5
Effect of changes in sales volumes	(13.2)	(14.7)	(6.4)	–	(34.3)
Effect of changes in prices	22.0	(27.4)	(12.3)	–	(17.7)
Change in royalty and sulphur revenue	–	–	–	(2.3)	(2.3)
Six months ended June 30, 2019	**142.8**	**285.5**	**23.0**	**3.9**	**455.2**

Sales Volumes

	Three months ended June 30											
	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	**74.6**	82.9	*(10)*	**11,691**	11,163	*5*	**1,686**	2,499	*(33)*	**25,804**	27,483	*(6)*
Kaybob	**153.1**	165.0	*(7)*	**8,994**	9,622	*(7)*	**2,622**	2,402	*9*	**37,127**	39,527	*(6)*
Central Alberta & Other	**82.0**	86.2	*(5)*	**2,627**	3,030	*(13)*	**2,551**	2,341	*9*	**18,862**	19,731	*(4)*
Total	**309.7**	334.1	*(7)*	**23,312**	23,815	*(2)*	**6,859**	7,242	*(5)*	**81,793**	86,741	*(6)*

Sales volumes in the second quarter of 2019 decreased six percent to 81,793 Boe/d compared to 86,741 Boe/d in the second quarter of 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 in the Grande Prairie Region due to the disposition of the Resthaven/Jayar properties in the third quarter of 2018. These decreases were partially offset by higher sales volumes at Wapiti in the Grande Prairie Region and Smoky Duvernay in the Kaybob Region as a result of new wells being brought-on production.

The Resthaven/Jayar properties encompassed approximately 201 (152 net) sections of land and had sales volumes of approximately 5,000 Boe/d in the first half of 2018 prior to being sold in the third quarter of 2018.

Sales volumes at Wapiti averaged 3,903 Boe/d in the second quarter of 2019 compared to 488 Boe/d in the second quarter of 2018. Production and sales volumes were intermittent due to commissioning activities at the new third-party Wapiti natural gas processing plant (the "Wapiti Plant"). The Company began flowing test volumes from its Wapiti 9-3 pad in May 2019 and production levels increased through the end of the second quarter as commissioning progressed and additional wells began flowing.

	Six months ended June 30											
	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	**76.3**	83.3	*(8)*	**11,312**	11,600	*(2)*	**1,644**	2,449	*(33)*	**25,668**	27,938	*(8)*
Kaybob	**151.8**	170.1	*(11)*	**9,362**	9,815	*(5)*	**2,474**	2,520	*(2)*	**37,135**	40,678	*(9)*
Central Alberta & Other	**80.8**	89.1	*(9)*	**2,820**	3,184	*(11)*	**2,455**	2,798	*(12)*	**18,743**	20,841	*(10)*
Total	**308.9**	342.5	*(10)*	**23,494**	24,599	*(4)*	**6,573**	7,767	*(15)*	**81,546**	89,457	*(9)*

Sales volumes decreased by nine percent to 81,546 Boe/d in the six months ended June 30, 2019 compared to 89,457 Boe/d in the same period in 2018. The decrease was primarily due to lower production in the Kaybob and Central Alberta and Other Regions as a result of natural declines and in the Grande Prairie Region due to the disposition of the Resthaven/Jayar properties. These decreases were partially offset by higher sales volumes at Smoky Duvernay in the Kaybob Region and at Wapiti and Karr in the Grande Prairie Region as a result of new wells being brought-on production.

Sales volumes are expected to increase in the second half of the year at Wapiti, Karr and Kaybob South Duvernay, with fourth quarter sales volumes expected to average between 85,000 Boe/d and 90,000 Boe/d. The Company is reaffirming its annual average production guidance of between 81,000 Boe/d and 85,000 Boe/d.

Commodity Prices

	Three months ended June 30			Six months ended June 30		
	2019	**2018**	% Change	**2019**	**2018**	% Change
Natural Gas						
Paramount average realized price ($/Mcf)	**1.76**	1.71	*3*	**2.56**	2.16	*19*
AECO daily spot ($/GJ)	**0.98**	1.10	*(11)*	**1.73**	1.53	*13*
AECO monthly index ($/GJ)	**1.11**	1.06	*5*	**1.48**	1.40	*6*
Dawn ($/MMbtu)	**3.15**	3.61	*(13)*	**3.52**	3.71	*(5)*
NYMEX (US$/MMbtu)	**2.51**	2.83	*(11)*	**2.69**	2.84	*(5)*
Malin – monthly index (US$/MMbtu)	**2.18**	1.98	*10*	**3.03**	2.24	*35*
Crude Oil						
Paramount average realized condensate & oil price ($/Bbl)	**71.02**	77.25	*(8)*	**67.13**	73.58	*(9)*
Edmonton Light Sweet ($/Bbl)	**72.55**	77.82	*(7)*	**69.74**	73.95	*(6)*
West Texas Intermediate (US$/Bbl)	**59.84**	67.88	*(12)*	**57.33**	65.38	*(12)*
Foreign Exchange						
$CDN / 1 $US	**1.34**	1.29	*4*	**1.33**	1.28	*4*

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. The Company's average realized natural gas prices increased in the first half of 2019 compared to the first half of 2018 mainly as a result of higher AECO and Malin prices in the first quarter of 2019.

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 half of 2019 compared to the same period in 2018 mainly as a result of lower benchmark prices.

Commodity Price Management

From time-to-time Paramount uses financial commodity contracts to manage exposure to commodity price volatility. As at June 30, 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)	16,000 Bbl/d	CDN$78.05/Bbl	**5.9**	July 2019 – December 2019
Oil – NYMEX WTI Calls (Sale)	2,000 Bbl/d	CDN$82.00/Bbl (1)	**0.5**	July 2019 – December 2019
Oil – NYMEX WTI Swaps (Sale)	4,000 Bbl/d	CDN$80.11/Bbl	**10.3**	January 2020 – December 2020
Other			**(0.1)**	
			16.6	

(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 is receiving a premium of CDN$2.65 per barrel.

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

	Six months ended June 30, 2019	Twelve months ended December 31, 2018
Fair value, beginning of period	64.4	(19.1)
Changes in fair value	(45.0)	7.0
Settlements paid (received)	(2.8)	76.5
Fair value, end of period	16.6	64.4

Royalties

	Three months ended June 30				Six months ended June 30			
	2019	Rate	2018	Rate	2019	Rate	2018	Rate
Royalties	18.7	9.0%	22.4	9.4%	34.0	7.5%	38.4	7.6%
$/Boe	*2.51*		*2.84*		*2.31*		*2.37*	

Second quarter royalties were $18.7 million in 2019 compared to $22.4 million in the same period in 2018. Royalties for the six months ended June 30, 2019 were $34.0 million compared to $38.4 million in the first six months of 2018. Royalties decreased in 2019 primarily as a result of lower liquids prices and lower production, partially offset by higher royalties at Karr in the Grand Prairie Region. Royalty rates at Karr increased in 2019 as the majority of wells had fully utilized their new well royalty incentives.

Operating Expense

	Three months ended June 30			Six months ended June 30		
	2019	2018	% Change	2019	2018	% Change
Operating expense	86.8	94.8	*(8)*	177.2	187.1	*(5)*
$/Boe	*11.66*	*12.01*	*(3)*	*12.01*	*11.56*	*4*

Operating expense decreased $8.0 million to $86.8 million in the second quarter of 2019 compared to $94.8 million in the same period in 2018. Operating expense was $177.2 million in the first half of 2019 compared to $187.1 million in the same period in 2018. The decrease in operating expenses in 2019 is primarily due to lower operating costs in the Central Alberta and Other Region as a result of the partial closure of the Zama field and in the Grande Prairie Region as a result of the disposition of the Resthaven/Jayar properties in the third quarter of 2018. These decreases were partially offset by higher operating costs at Wapiti and Karr related to new production.

Transportation and NGLs Processing

	Three months ended June 30			Six months ended June 30		
	2019	2018	% Change	2019	2018	% Change
Transportation and NGLs processing	21.6	18.9	14	46.2	46.0	–
$/Boe	*2.91*	*2.40*	*21*	*3.13*	*2.84*	*10*

Transportation and NGLs processing was $21.6 million and $46.2 million for the three and six months ended June 30, 2019, respectively, compared to $18.9 million and $46.0 million for the corresponding periods in 2018. Transportation and NGLs processing costs increased in 2019 as a result of higher costs related to contracted NGLs fractionation and transportation capacity, partially offset by lower transportation costs in the Grande Prairie Region as a result of the Resthaven/Jayar disposition and lower trucking costs at Karr.

Other Operating Items

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Depletion and depreciation (1)	(84.7)	(134.6)	(165.4)	(265.6)
Gain (loss) on sale of oil and gas assets (1)	1.7	(2.2)	7.7	5.6
Exploration and evaluation expense	(2.7)	(3.9)	(7.8)	(12.5)

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

Depletion and depreciation expense decreased to $84.7 million in the second quarter of 2019 compared to $134.6 million in the second quarter of 2018. Depletion and depreciation expense decreased to $165.4 million in the six months ended June 30, 2019 compared to $265.6 million in the same period in 2018. The decrease in depletion and depreciation expense was primarily due to a change in depletion rate methodology adopted in the fourth quarter of 2018.

Exploration and evaluation expense was $7.8 million for the six months ended June 30, 2019, a decrease of $4.7 million compared to the same period in 2018, primarily due to lower geological and geophysical costs.

Midstream Transaction

In June 2019, Paramount entered into an agreement to sell its Karr 6-18 natural gas facility (the "6-18 Facility") and related midstream assets located in the Grande Prairie Region for cash proceeds of approximately $330 million (the "Midstream Transaction"). The assets and liabilities associated with the sale have been presented as held for sale as at June 30, 2019 in the Interim Financial Statements.

The Midstream Transaction closed on August 1, 2019. In connection with the sale, the Company entered into a midstream services agreement that includes a fee-for-service arrangement and a take-or-pay volume commitment that ends approximately 20 years following the completion of an expansion to the facility, which is scheduled to be commissioned in the second half of 2020. Paramount estimates that operating costs at Karr for the remainder of 2019 will increase by approximately $13.5 million as a result of the processing fee associated with the midstream services agreement. Proceeds from the Midstream Transaction were used to reduce amounts drawn on Paramount’s bank credit facility.

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	**June 30, 2019**	**December 31, 2018**
Strath (2)	168.5	170.0
MEG	18.6	28.5
Privateco	21.1	21.1
Other (3)	16.3	12.1
Total	**224.5**	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 common shares and 8.5 million warrants of Strath.
(3) Includes investments in Pipestone Energy Corp., Storm Resources Ltd., Canadian Premium Sand Inc. and other public and private corporations.

CORPORATE

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
General and administrative	(13.5)	(12.4)	(27.2)	(30.6)
Share-based compensation	(2.6)	(5.8)	(7.5)	(11.4)
Interest and financing	(11.1)	(6.9)	(20.3)	(15.6)
Accretion of asset retirement obligations (1)	(14.9)	(14.5)	(29.4)	(28.7)
Closure costs	–	–	(13.4)	–
Deferred income tax (expense) recovery (1)	(102.1)	41.8	(88.2)	63.6

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

General and administrative expense was lower for the six months ended June 30, 2019 compared to the same period in 2018, primarily due to lower staffing levels and administrative costs in the current year as integration activities following two corporate acquisitions in the third quarter of 2017 were substantially completed.

Interest and financing expense was $20.3 million in the first half of 2019, an increase of $4.7 million from the first half of 2018, as a result of higher average debt balances in 2019.

In early 2019, the Company made the decision to cease production operations at the Zama field in northern Alberta. This property is included in the Central Alberta and Other Region. Sales volumes at Zama averaged approximately 1,200 Boe/d in the fourth quarter of 2018. The closure program commenced in the first quarter of 2019 and is expected to span approximately twelve months. Paramount completed the full shut-down of area production by the end of June 2019. The closure program will continue through the balance of the year to permanently abandon over 1,000 kilometers of pipelines and suspend all facilities. The Company recognized a provision of $13.4 million in the first quarter of 2019 in respect of the expected costs of the Zama closure program and incurred $4.4 million of closure cost expenditures in the second quarter of 2019.

In the second quarter of 2019, deferred income tax expense included $106.4 million related to a reduction in Alberta income tax rates.

PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION EXPENDITURES

	Three months ended June 30		Six months ended June 30	
	2019	**2018**	**2019**	**2018**
Drilling, completion and tie-ins	**69.9**	152.6	**128.3**	265.2
Facilities and gathering	**15.9**	18.1	**23.6**	36.6
Karr 6-18 Facility expansion	**11.0**	1.1	**45.5**	1.6
Exploration and development capital (1)	**96.8**	171.8	**197.4**	303.4
Corporate	**0.2**	6.8	**2.7**	5.9
Total capital additions	**97.0**	178.6	**200.1**	309.3
Land and property acquisitions	**3.3**	3.1	**4.3**	8.4
	100.3	181.7	**204.4**	317.7
Exploration and development capital by Region (1)				
Grande Prairie	**67.2**	73.5	**134.9**	147.8
Kaybob	**29.2**	87.7	**56.6**	138.9
Central Alberta and Other	**0.4**	10.6	**5.9**	16.7
	96.8	171.8	**197.4**	303.4

(1) Readers are referred to the advisories concerning Non-GAAP measures in the Advisories section of this document.

Exploration and development capital totaled $96.8 million in the second quarter of 2019 compared to $171.8 million in the same period in 2018. Exploration and development capital was $197.4 million in the first half of 2019 compared to $303.4 million in the same period in 2018. Expenditures in the first half of 2019 mainly related to drilling and completion programs and facilities projects in the Grande Prairie and Kaybob Regions.

In the Grande Prairie Region, development activities at Wapiti focused on completion operations for 12 (12.0 net) wells on the 5-3 pad, which were drilled in the first quarter of 2019. All 12 wells are scheduled to be completed by the end of the third quarter. This pad is scheduled to be equipped and brought-on production in the fourth quarter of 2019. Development activities at Karr mainly related to completion operations for 5 (5.0 net) Montney wells on the 4-24 pad, which is scheduled to be brought on stream in the third quarter. Paramount has also commenced drilling operations for 3 (3.0 net) new Montney wells on the 1-19 pad, which are scheduled to be completed and brought-on production in the fourth quarter of 2019. Paramount incurred $45.5 million in the first half of 2019 to further the expansion of the 6-18 Facility, which was not included in the Company's $350 million base capital budget. Capital expenditures related to the 6-18 Facility expansion were reimbursed on closing of the Midstream Transaction.

In the Kaybob Region, 5 (2.5 net) new wells on the 2-28 pad at Kaybob South Duvernay were drilled between September 2018 and January 2019 and completed in the spring of 2019. These wells were tied-in and brought-on production in late-June 2019. At the Montney Oil development, 4 (4.0 net) new wells were brought-on production in 2019. The Kaybob Region drilling program for 2019 also included an initial appraisal well at the Ante Creek Montney property, which has been completed and is scheduled to be brought-on production in the third quarter.

In the Central Alberta and Other Region, the Company participated in drilling operations for one (0.5 net) well at Birch in northeast British Columbia, which was completed and brought on production in the second quarter of 2019.

The Company continues to expect 2019 annual spending to be in line with its $350 million base capital budget.

Wells drilled were as follows:

	Three months ended June 30				Six months ended June 30			
	2019		2018		2019		2018	
	Gross (1)	**Net (2)**	Gross (1)	Net (2)	**Gross (1)**	**Net (2)**	Gross (1)	Net (2)
Natural gas	**1**	**1**	20	18	**17**	**15**	38	30
Oil	**–**	**–**	4	4	**4**	**4**	11	11
Total	**1**	**1**	24	22	**21**	**19**	49	41

(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	June 30, 2019	December 31, 2018
Cash and cash equivalents	**(19.3)**	(19.3)
Accounts receivable	**(98.3)**	(121.3)
Prepaid expenses and other	**(16.1)**	(9.6)
Accounts payable and accrued liabilities	**188.8**	231.2
Adjusted working capital deficit (1)	**55.1**	81.0
Paramount Facility	**909.7**	815.0
Net Debt (2)	**964.8**	896.0
Share capital	**2,186.1**	2,184.6
Retained earnings (accumulated deficit)	**(176.5)**	21.2
Reserves	**26.7**	44.7
Total Capital	**3,001.1**	3,146.5

(1) Adjusted working capital excludes risk management assets and liabilities, current accounts receivable amounts relating to subleases (June 30, 2019 - $2.0 million, December 31, 2018 – nil) the current portion of asset retirement obligations and other, and assets and liabilities classified as held for sale.
(2) Refer to the advisories concerning non-GAAP measures in the Advisories section of this document.

The change in net debt for the six months ended June 30, 2019 is primarily due to capital expenditures and asset retirement obligation settlements, partially offset by cash flows from operations. Paramount expects to fund its 2019 operations, obligations and capital expenditures with cash flows from operations and available capacity under its bank credit facility.

Paramount Facility

As at June 30, 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 $36.0 million as at June 30, 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 June 30, 2019:

Contract Type	Aggregate notional	Maturity Date	Fixed Contract Rate	Reference	Fair value
Interest Rate Swap	$250 million	January 2023	2.3%	CDOR (1)	(5.5)
Interest Rate Swap	$250 million	January 2026	2.4%	CDOR (1)	(11.2)
					(16.7)

(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 on the Company's long-term debt. The Company classified these arrangements as cash flow hedges and has applied hedge accounting. As at June 30, 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 program 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. In July 2019, the Company purchased and cancelled 33,100 Common Shares at a total cost of $0.2 million 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 July 31, 2019, Paramount had 130,019,630 Common Shares outstanding (net of 859,688 Common Shares held in trust under the Company's restricted share unit plan) and 11,740,171 options to acquire Common Shares outstanding, of which 3,349,499 options are exercisable.

QUARTERLY INFORMATION

	2019		2018				2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Petroleum and natural gas sales	**209.2**	246.1	207.4	248.5	239.7	269.8	258.9	116.5
Net income (loss) (1)	**(121.0)**	(76.7)	(170.5)	(13.1)	(119.0)	(64.6)	(103.2)	383.4
Per share – basic ($/share)	***(0.93)***	*(0.59)*	*(1.31)*	*(0.10)*	*(0.90)*	*(0.48)*	*(0.76)*	*3.42*
Per share – diluted ($/share)	***(0.93)***	*(0.59)*	*(1.31)*	*(0.10)*	*(0.90)*	*(0.48)*	*(0.76)*	*3.39*
Cash from operating activities	**48.1**	88.5	12.4	73.8	52.0	85.2	43.4	49.4
per share – basic & diluted ($/share)	***0.37***	*0.68*	*0.10*	*0.56*	*0.39*	*0.64*	*0.32*	*0.44*
Adjusted funds flow	**54.2**	100.5	45.5	58.2	62.6	97.6	110.1	45.3
Per share – basic & diluted ($/share)	***0.41***	*0.77*	*0.35*	*0.44*	*0.47*	*0.73*	*0.82*	*0.40*
Sales volumes								
Natural gas (MMcf/d)	**309.7**	308.0	315.2	303.8	334.1	351.1	359.9	177.2
Condensate and oil (Bbl/d)	**23,312**	23,679	24,898	22,868	23,815	25,391	26,285	14,845
Other NGLs (Bbl/d)	**6,859**	6,284	7,059	6,963	7,242	8,298	9,149	4,641
Total (Boe/d)	**81,793**	81,296	85,495	80,471	86,741	92,203	95,412	49,023
Average realized price								
Natural gas ($/Mcf)	**1.76**	3.37	2.73	1.93	1.71	2.59	2.11	1.89
Condensate and oil ($/Bbl)	**71.02**	63.26	45.54	79.83	77.25	70.10	66.65	54.30
Other NGLs ($/Bbl)	**11.01**	28.55	31.39	32.16	27.35	31.68	30.15	23.05
Total ($/Boe)	**28.10**	33.63	26.68	33.57	30.37	32.51	29.49	25.84

(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 second quarter 2019 loss includes $102.1 million of deferred income tax expense, primarily related to a reduction in Alberta income tax rates and a $27.6 million gain on financial commodity contracts.
- 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 properties, 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.

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 $50 million. Arbitration proceedings have been commenced against the Company and the hearing is scheduled for the third quarter of 2020. 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 June 30, 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 average sales volumes for 2019 and in the fourth quarter of 2019;
- budgeted capital expenditures and the expectation that 2019 annual spending will be in line with the base capital budget;
- the expected increase in sales volumes (and the liquids component thereof) in the second half of 2019 as additional new wells are brought-on production;
- the expected timing of completion of the Zama closure program;
- planned exploration, development and production activities, including the anticipated timing of bringing new wells on production;
- the timing of commissioning of the 6-18 Facility expansion;
- the projected availability of third party processing facilities;
- expected increases in Karr operating costs in 2019 following the Midstream Transaction;
- 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, closure cost expenditures and transaction and reorganization costs. Adjusted funds flow is used to assist management and investors in measuring the Company's ability to fund capital programs and meet financial obligations, including the settlement of asset retirement 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 six months ended June 30, 2019, the value ratio between crude oil and natural gas was approximately 47:1. 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.

Paramount resources ltd.

Interim Condensed Consolidated Financial Statements (Unaudited)
For the three and six months ended June 30, 2019

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

($ thousands)

As at	Note	June 30 2019	December 31 2018
		(Unaudited)	
ASSETS			
Current assets			
Cash and cash equivalents	14	19,286	19,295
Accounts receivable	7	100,291	121,330
Risk management - current	12	11,435	64,441
Prepaid expenses and other		16,075	9,641
Assets held for sale	2	173,794	–
		320,881	214,707
Risk management – long-term	12	5,133	–
Lease receivable	7	5,939	–
Exploration and evaluation	3	725,583	719,908
Property, plant and equipment, net	4	2,058,406	2,178,181
Investments in securities	5	224,491	231,732
Deferred income tax	11	691,319	773,575
		4,031,752	4,118,103
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		188,841	231,228
Risk management - current	12	3,297	–
Current portion of asset retirement obligations and other	7	50,629	32,000
Liabilities associated with assets held for sale	2	1,043	–
		243,810	263,228
Long-term debt	6	909,694	815,000
Risk management – long-term	12	13,421	–
Asset retirement obligations and other	7	828,516	789,346
		1,995,441	1,867,574
Commitments and contingencies	15		
Shareholders' equity			
Share capital	8	2,186,139	2,184,608
Retained earnings (accumulated deficit)		(176,510)	21,189
Reserves	9	26,682	44,732
		2,036,311	2,250,529
		4,031,752	4,118,103

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

($ thousands, except as noted)

		Three months ended June 30		Six months ended June 30	
	Note	2019	2018	2019	2018
			(Restated – Note 1)		(Restated – Note 1)
Petroleum and natural gas sales		209,184	239,730	455,239	509,543
Royalties		(18,651)	(22,395)	(34,050)	(38,443)
Revenue	13	190,533	217,335	421,189	471,100
Gain (loss) on commodity contracts	12	27,646	(84,581)	(45,036)	(132,210)
		218,179	132,754	376,153	338,890
Expenses					
Operating expense		86,779	94,801	177,162	187,107
Transportation and NGLs processing		21,631	18,936	46,207	45,968
General and administrative		13,493	12,416	27,214	30,628
Share-based compensation	10	2,641	5,769	7,528	11,364
Depletion and depreciation	4	84,710	134,589	165,407	265,647
Exploration and evaluation	3	2,664	3,899	7,757	12,527
(Gain) loss on sale of oil and gas assets		(1,730)	2,217	(7,716)	(5,604)
Interest and financing	12	11,063	6,894	20,289	15,576
Accretion of asset retirement obligations	7	14,894	14,476	29,406	28,677
Closure costs	7	–	–	13,440	–
Transaction and reorganization costs		–	2,080	–	4,252
Gain on debt extinguishment	6	–	–	–	(3,126)
Foreign exchange		108	573	119	(1,263)
		236,253	296,650	486,813	591,753
Other income (loss)		(852)	3,086	1,144	5,610
Loss before tax		(18,926)	(160,810)	(109,516)	(247,253)
Income tax expense (recovery)					
Deferred	11	102,097	(41,836)	88,183	(63,640)
		102,097	(41,836)	88,183	(63,640)
Net loss		(121,023)	(118,974)	(197,699)	(183,613)
Other comprehensive income (loss), net of tax	9				
Items that will be reclassified to net income (loss)					
Change in fair value of interest rate swaps, net of tax		(3,983)	–	(13,089)	–
Reclassification to net income (loss), net of tax		349	–	349	–
Items that will not be reclassified to net income (loss)					
Change in market value of securities, net of tax		(3,917)	25,654	(11,321)	22,342
Comprehensive loss		(128,574)	(93,320)	(221,760)	(161,271)
Net loss per common share ($/share)	8				
Basic and diluted		(0.93)	(0.90)	(1.52)	(1.38)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

($ thousands)

	Note	Three months ended June 30 2019	Three months ended June 30 2018	Six months ended June 30 2019	Six months ended June 30 2018
			(Restated – Note 1)		(Restated – Note 1)
Operating activities					
Net loss		(121,023)	(118,974)	(197,699)	(183,613)
Add (deduct):					
Items not involving cash	14	173,087	176,370	347,215	334,450
Asset retirement obligations settled	7	(2,020)	(5,983)	(7,783)	(14,504)
Closure program expenditures	7	(4,389)	–	(4,389)	–
Gain on debt extinguishment	6	–	–	–	(3,126)
Change in non-cash working capital		2,425	554	(741)	4,008
Cash from operating activities		48,080	51,967	136,603	137,215
Financing activities					
Net draw of revolving long-term debt	6	82,439	404,549	94,694	363,940
Lease liabilities – principal repayments	7	(1,897)	–	(3,676)	–
Redemption of 2019 Senior Notes	6	–	(303,624)	–	(303,624)
Common Shares issued, net of issue costs		71	112	110	678
Common Shares repurchased under NCIB	8	–	(13,809)	–	(41,210)
Common Shares purchased under restricted share unit plan	10	–	(9,219)	–	(9,219)
Cash from financing activities		80,613	78,009	91,128	10,565
Investing activities					
Property, plant and equipment and exploration		(100,265)	(181,673)	(204,368)	(317,659)
Proceeds on sale of oil and gas assets		648	408	642	8,365
Other		(6,029)	–	(6,029)	–
Change in non-cash working capital		(16,308)	40,846	(17,535)	57,775
Cash used in investing activities		(121,954)	(140,419)	(227,290)	(251,519)
Net increase (decrease)		6,739	(10,443)	441	(103,739)
Foreign exchange on cash and cash equivalents		(318)	(254)	(450)	2,011
Cash and cash equivalents, beginning of period		12,865	32,298	19,295	123,329
Cash and cash equivalents, end of period		19,286	21,601	19,286	21,601

Supplemental cash flow information 14

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Unaudited)

($ thousands, except as noted)

Six months ended June 30	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		*13*	158	*67*	940
Common shares purchased and cancelled under NCIB	8	–	–	*(2,367)*	(41,210)
Change in vested and unvested Common Shares for restricted share unit plan	10	*327*	1,373	*(231)*	(1,652)
Balance, end of period		*130,666*	2,186,139	*132,182*	2,207,824
Retained Earnings (Accumulated Deficit)					
Balance, beginning of period			21,189		389,989
Net loss			(197,699)		(183,613)
Balance, end of period			(176,510)		206,376
Reserves	9				
Balance, beginning of period			44,732		26,522
Other comprehensive income (loss)			(24,061)		22,342
Contributed surplus			6,011		7,966
Balance, end of period			26,682		56,830
Total Shareholders' Equity			2,036,311		2,471,030

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 and six months ended June 30, 2019 (the "Interim Financial Statements"), were authorized for issuance by the Audit Committee of Paramount's Board of Directors on August 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 certain hedging instruments when such instruments are designated at inception as qualifying hedging relationships. Hedge effectiveness is evaluated by assessing the critical terms of the hedging relationship at inception, at the end of each reporting date and upon a significant change in the circumstances affecting hedge effectiveness. 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 are reclassified from OCI to earnings as amounts are settled throughout the term of the arrangement. Any portion of the change in the fair value of the hedging instrument related to hedge ineffectiveness is recognized in earnings.

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. 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 specified 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 of 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 of 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 Liabilities and Contingent Assets* 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 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 7 for further details regarding the Company's lease and sublease arrangements.

2. Assets Held for Sale

In June 2019, Paramount entered into an agreement to sell its Karr 6-18 natural gas facility and related midstream assets located in the Grande Prairie cash generating unit for cash proceeds of approximately $330 million (the "Midstream Transaction"). The assets and liabilities associated with the sale have been presented as held for sale as at June 30, 2019, as follows:

Property, plant and equipment, net	**173,794**
Asset retirement obligations	**(1,043)**

The Midstream Transaction closed on August 1, 2019. In connection with the sale, the Company entered into a midstream services agreement that includes a fee-for-service arrangement and a take-or-pay volume commitment that ends approximately 20 years following the completion of an expansion to the facility, which is scheduled to be commissioned in the second half of 2020.

3. Exploration and Evaluation

	Six months ended June 30, 2019	**Twelve months ended December 31, 2018**
Balance, beginning of period	**719,908**	785,764
Additions	**2,109**	8,300
Acquisitions	**7,131**	–
Change in asset retirement provision	**28**	–
Transfers to property, plant and equipment	**(951)**	(34,388)
Expired lease costs	**(2,642)**	(14,781)
Dispositions	**–**	(24,987)
Balance, end of period	**725,583**	719,908

Exploration and Evaluation Expense

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Geological and geophysical	2,101	3,095	5,115	8,277
Expired lease costs	563	804	2,642	4,250
	2,664	3,899	7,757	12,527

4. Property, Plant and Equipment

Six months ended June 30, 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	202,384	684	896	3,365	207,329
Transfers to assets held for sale	(201,499)	–	–	–	(201,499)
Transfers from exploration and evaluation	951	–	–	–	951
Change in asset retirement provision	2,567	–	–	–	2,567
Cost, end of period	**4,045,501**	**160,501**	**14,861**	**45,505**	4,266,368
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)
Transfers to assets held for sale	27,705	–	–	–	27,705
Depletion and depreciation	(156,649)	(5,494)	(1,239)	(2,977)	(166,359)
Accumulated depletion, depreciation and impairment, end of period	**(2,090,234)**	**(84,359)**	**(3,397)**	**(29,972)**	(2,207,962)
Net book value, December 31, 2018	2,079,808	80,952	–	17,421	2,178,181
Net book value, June 30, 2019	**1,955,267**	**76,142**	**11,464**	**15,533**	2,058,406

(1) Recognized on adoption of IFRS 16, see notes 1 and 7.

5. Investments in Securities

As at	June 30, 2019		December 31, 2018	
	Shares (000's)		*Shares (000's)*	
Strath Resources Ltd. (1)	*85,000*	168,534	*85,000*	170,000
MEG Energy Corp.	*3,700*	18,574	*3,700*	28,527
Privateco		21,111		21,111
Other (2)		16,272		12,094
		224,491		231,732

(1) Carrying value includes 85 million common shares and 8.5 million warrants of Strath Resources Ltd.
(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 securities of private companies ("Private Investments") 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. Fair value estimates of Private Investments are updated at each balance sheet date to confirm whether the carrying value of each investment continues to fall within a range of possible fair values indicated by such techniques.

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

6. Long-Term Debt

As at	June 30, 2019	December 31, 2018
Paramount Facility	**909,694**	815,000

Paramount Facility

As at June 30, 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 $36.0 million as at June 30, 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.

7. Asset Retirement Obligations and Other

As at June 30, 2019	Current	Long-term	Total
Asset retirement obligations	32,000	802,386	**834,386**
Lease liabilities (see note 1)	9,578	26,130	**35,708**
Closure costs	9,051	–	**9,051**
	50,629	**828,516**	**879,145**

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

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

Asset Retirement Obligations

	Six months ended June 30, 2019	Twelve months ended December 31, 2018
Asset retirement obligations, beginning of period	807,921	837,463
Transfer to liabilities associated with assets held for sale	(1,043)	–
Retirement obligation additions	7,640	6,020
Acquisitions	3,333	–
Revisions to estimated retirement costs	2,337	(4,038)
Revisions due to change in discount rate	–	(50,910)
Obligations settled	(7,783)	(29,390)
Dispositions	(7,425)	(8,876)
Accretion expense	29,406	57,652
Asset retirement obligations, end of period	834,386	807,921

As at June 30, 2019, estimated undiscounted asset retirement obligations were $1,779.9 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

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 six months ended June 30, 2019, total cash payments made in respect of these lease obligations were $5.5 million, of which $1.1 million was recognized as interest and financing expense.

For the six months ended June 30, 2019, 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.

As at June 30, 2019, aggregate accounts receivable amounts of $7.9 million are due to the Company in respect of sublease arrangements for Paramount's office space, of which $2.0 million was classified as current and $5.9 million was classified as non-current. For the six months ended June 30, 2019, total cash payments received in respect of office sublease arrangements were $1.0 million, of which $0.2 million was recognized as interest revenue.

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

	Lease Payments	Sublease Receivables
July 2019 to December 2019	5,575	1,083
2020	11,207	2,378
2021	10,815	2,424
2022	9,901	2,316
2023	1,918	518
	39,416	8,719

Closure costs

In the first quarter of 2019, the Company made the decision to cease its production operations at the Zama field in northern Alberta. The Zama closure program commenced in the first quarter of 2019 and is 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 program.

8. Share Capital

As at June 30, 2019, 130,665,759 (December 31, 2018 – 130,324,943) class A common shares of the Company ("Common Shares") were outstanding, net of 246,659 (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 program (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. In July 2019, the Company purchased and cancelled 33,100 Common Shares at a total cost of $0.2 million under the 2019 NCIB.

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 June 30	2019		2018	
	Wtd. Avg Shares (000's)	Net loss	*Wtd. Avg Shares (000's)*	Net loss
Net loss – basic	*130,608*	(121,023)	*132,817*	(118,974)
Dilutive effect of Paramount Options	–	–	–	–
Net loss – diluted	*130,608*	(121,023)	*132,817*	(118,974)

Six months ended June 30	2019		2018	
	Wtd. Avg Shares (000's)	Net loss	*Wtd. Avg Shares (000's)*	Net loss
Net loss – basic	*130,469*	(197,699)	*133,242*	(183,613)
Dilutive effect of Paramount Options	–	–	–	–
Net loss – diluted	*130,469*	(197,699)	*133,242*	(183,613)

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 11.8 million options to acquire Common Shares outstanding at June 30, 2019 (June 30, 2018 – 9.4 million), all of which (June 30, 2018 – 9.4 million) were anti-dilutive.

9. Reserves

Six months ended June 30, 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	(13,271)	(16,718)	–	(29,989)
Deferred tax	1,950	3,978	–	5,928
Share-based compensation	–	–	6,060	6,060
Options exercised	–	–	(49)	(49)
Balance, end of period	**(110,373)**	**(12,740)**	**149,795**	**26,682**

10. Share-Based Compensation

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

	Six months ended June 30, 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)]	*(13,430)*	8.17	*(79,536)*	9.80
Forfeited	*(730,722)*	15.74	*(1,168,710)*	21.42
Expired	*–*	–	*(42,011)*	26.73
Balance, end of period	*11,776,011*	15.64	*12,465,163*	15.67
Options exercisable, end of period	*3,436,515*	18.08	*3,620,293*	18.09

(1) For Paramount Options exercised during the six months ended June 30, 2019, the weighted average market price of Paramount's Common Shares on the dates exercised was $9.14 per share (twelve months ended December 31, 2018 – $16.70 per share).

Restricted Share Unit Plan – Shares Held in Trust

	Six months ended June 30, 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	*(327)*	(1,373)	*(320)*	(9,376)
Balance, end of period	*247*	836	*574*	2,209

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

11. Income Tax

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

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Loss before tax	(18,926)	(160,810)	(109,516)	(247,253)
Effective Canadian statutory income tax rate	26.5%	27.0%	26.5%	27.0%
Expected income tax recovery	(5,015)	(43,419)	(29,022)	(66,758)
Effect on income taxes of:				
Change in statutory and other rates	106,371	–	105,919	–
Gain on redemption of 2019 Senior Notes	–	–	–	(1,823)
Change in unrecognized deferred income tax asset	213	195	451	387
Share-based compensation	733	1,138	1,606	2,222
Non-deductible items and other	(205)	250	9,229	2,332
Income tax expense (recovery)	102,097	(41,836)	88,183	(63,640)

12. Financial Instruments and Risk Management

As at	**June 30, 2019**	**December 31, 2018**
Financial commodity contracts – current	11,435	64,441
Financial commodity contracts – long-term	5,133	–
Risk management asset	16,568	64,441

As at	**June 30, 2019**	**December 31, 2018**
Interest rate swaps – current	(3,297)	–
Interest rate swaps – long-term	(13,421)	–
Risk management liability	(16,718)	–

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 risks.

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

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

	Six months ended June 30, 2019	**Twelve months ended December 31, 2018**
Fair value, beginning of period	64,441	(19,060)
Changes in fair value – financial commodity contracts	(45,036)	7,026
Changes in fair value – interest rate swaps	(16,226)	–
Settlements paid (received)	(3,329)	76,475
Fair value, end of period	(150)	64,441

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

Financial Commodity Contracts

The Company had the following financial commodity contracts in place as at June 30, 2019:

Instruments	Aggregate notional	Average fixed price	Fair value	Remaining Term
Oil – NYMEX WTI Swaps (Sale)	16,000 Bbl/d	CDN$78.05/Bbl	5,891	July 2019 – December 2019
Oil – NYMEX WTI Calls (Sale)	2,000 Bbl/d	CDN$82.00/Bbl (1)	470	July 2019 – December 2019
Oil – NYMEX WTI Swaps (Sale)	4,000 Bbl/d	CDN$80.11/Bbl	10,265	January 2020 – December 2020
Other			(58)	
			16,568	

(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 is receiving a premium of CDN$2.65 per barrel.

Interest Rate Swaps

The Company had the following floating-to-fixed interest rate swaps in place as at June 30, 2019:

Contract Type	Aggregate notional	Maturity Date	Fixed Contract Rate	Reference	Fair value
Interest Rate Swaps	$250 million	January 2023	2.3%	CDOR (1)	(5,500)
Interest Rate Swaps	$250 million	January 2026	2.4%	CDOR (1)	(11,218)
					(16,718)

(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 on the Company's long-term debt. The Company classified these arrangements as cash flow hedges and has applied hedge accounting. As at June 30, 2019, there were no changes to the critical terms of the hedging relationship and no hedge ineffectiveness was identified.

13. Revenue By Product

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Natural gas	49,493	52,122	142,839	133,999
Condensate and oil	150,665	167,414	285,470	327,616
Other natural gas liquids	6,873	18,023	23,022	41,679
Royalty and sulphur income	2,153	2,171	3,908	6,249
Royalties expense	(18,651)	(22,395)	(34,050)	(38,443)
	190,533	217,335	421,189	471,100

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

14. Consolidated Statement of Cash Flows - Selected Information

Items Not Involving Cash

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Commodity contracts	(30,410)	59,755	47,873	95,123
Share-based compensation	2,641	5,769	7,528	11,364
Depletion and depreciation (1)	84,710	134,589	165,407	265,647
Exploration and evaluation	563	804	2,642	4,250
(Gain) loss on sale of oil and gas assets (1)	(1,730)	2,217	(7,716)	(5,604)
Accretion of asset retirement obligations (1)	14,894	14,476	29,406	28,677
Foreign exchange	318	538	449	(1,349)
Closure costs	–	–	13,440	–
Deferred income tax (1)	102,097	(41,836)	88,183	(63,640)
Other	4	58	3	(18)
	173,087	176,370	347,215	334,450

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

Supplemental Cash Flow Information

	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Interest paid	10,940	12,119	19,282	15,176

Components of Cash and Cash Equivalents

As at	June 30, 2019	December 31, 2018
Cash	19,286	19,295
Cash equivalents	–	–
	19,286	19,295

15. Commitments & Contingencies

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 $50 million. Arbitration proceedings have been commenced against the Company and the hearing is scheduled for the third quarter of 2020. 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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Calgary, Alberta
Toronto, Ontario

BANKS

Bank of Montreal

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")