First Quarter 2022 Press Release

Paramount Resources Ltd. Announces First Quarter 2022 Results, Upwardly Revised Guidance, Increased Dividend and Complementary Asset Acquisition

Calgary, Alberta – May 4, 2022

Paramount Resources Ltd. ("Paramount" or the "Company") (TSX:POU) is pleased to announce strong first quarter 2022 financial and operating results, the acceleration of development activities at Karr supporting increased production in 2023 and beyond and a highly complementary $40 million Duvernay acquisition in its Willesden Green core area. Paramount is also pleased to announce that it is increasing its regular monthly dividend from $0.08 per class A common share ("Common Share") to $0.10 per Common Share beginning May 2022.

HIGHLIGHTS

- First quarter 2022 sales volumes averaged 82,137 Boe/d (45% liquids), in-line with expectations.[1]
    - Sales volumes at Karr averaged 38,611 Boe/d (51% liquids).
    - Sales volumes at Wapiti averaged 16,126 Boe/d (59% liquids).
- Cash from operating activities was $175 million ($1.25 per basic share) in the first quarter. Adjusted funds flow was $238 million ($1.70 per basic share). Free cash flow was $103 million ($0.74 per basic share).[2]
- First quarter capital expenditures totaled $117 million and were predominantly focused on drilling and completion activities at Karr and Wapiti as well as in the Kaybob region.
- Paramount realized cash proceeds of approximately $51 million from the sale of a portion of its investments in securities in the first quarter.
- Net debt was reduced by approximately $96 million quarter-over-quarter to $361 million at March 31, 2022, including drawings under the Company's credit facility of $305 million. Net debt does not account for the $479 million carrying value of the Company's investments in securities as at March 31, 2022.[3]

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

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

(3) Net debt is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section for more information on this measure.

- Paramount now expects to achieve its net debt target of about $300 million by mid-year, earlier than previously forecast, even after accounting for the $40 million Willesden Green acquisition.

- Abandonment and reclamation expenditures in the first quarter totaled $15 million, net of $5 million in funding under the Alberta Site Rehabilitation Program ("ASRP"). A total of 63 wells were abandoned in the quarter, including 36 under the Company's ongoing area-based closure program at Zama.

- In late April, the Company acquired Duvernay lands and production directly offsetting its existing 61,000 net acre position in the Willesden Green area of Alberta for approximately $40 million in cash prior to adjustments. The acquisition is accretive on all key metrics and more than doubles Paramount's land position and internally estimated drilling locations in the area, setting the stage for more efficient future development and potential infrastructure synergies. Current production from the acquisition is approximately 1,300 Boe/d (49% liquids).

- In May, Paramount increased the capacity of its bank credit facility to $1.0 billion and extended the maturity date to May 3, 2026. The capacity of the credit facility can be further increased by up to $250 million pursuant to an accordion feature, subject to incremental lender commitments.

INCREASED DIVIDEND

Paramount's Board of Directors has approved a 25% increase in the Company's regular monthly dividend from $0.08 to $0.10 per Common Share. The first increased dividend will be payable on May 31, 2022 to shareholders of record on May 16, 2022. The dividend will be designated as an "eligible dividend" for Canadian income tax purposes.

UPDATED 2022 GUIDANCE AND PRELIMINARY 2023 BUDGET

The Company's planned 2022 capital expenditures have been upwardly revised by $20 million to a range of between $520 million and $560 million. The additional capital expenditures will be used to accelerate the drilling of a five-well pad at Karr from 2023 into late 2022 to facilitate further production growth in 2023. Paramount remains committed to prudently managing its capital resources and has the flexibility to adjust its capital expenditure plans depending on commodity prices and other factors. The Company continues to budget $33 million of abandonment and reclamation expenditures in 2022, net of approximately $8 million in funding under the ASRP.

Paramount is reaffirming its 2022 annual average sales volume guidance of between 91,000 Boe/d and 95,000 Boe/d (46% liquids).

- First half 2022 sales volumes are expected to average between 81,000 Boe/d and 85,000 Boe/d (44% liquids).

- Second half 2022 sales volumes are expected to average between 101,000 Boe/d and 105,000 Boe/d (47% liquids).

The Company is increasing its forecast of 2022 free cash flow from approximately $590 million to approximately $710 million to reflect higher commodity price assumptions and its updated capital expenditure plan.(1)

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(1) The stated free cash flow forecast is based on the following assumptions for 2022: (i) the midpoint of forecast capital spending and production, (ii) $33 million in net abandonment and reclamation costs, (iii) $7 million in geological and geophysical expenses, (iv) realized pricing of $72.55/Boe (US$97.07/Bbl WTI, US$6.34/MMBtu NYMEX, $5.34/GJ AECO), (v) a $US/$CDN exchange rate of $0.793, (vi) royalties of $12.40/Boe, (vii) operating costs of $11.30/Boe and (viii) transportation and processing costs of $4.10/Boe.

The Company's 2022 capital program, targeted net debt reduction and regular monthly dividend would remain fully funded down to an average WTI price of about US$50.00/Bbl over the last three quarters of 2022. (1)

Paramount's anticipated 2023 capital expenditure budget, based on preliminary planning and current market conditions, has been upwardly revised by $60 million at the midpoint to a range of between $540 million and $580 million. The additional capital expenditures will largely be focused on accelerating development activities at Karr to grow production by approximately 4,000 Boe/d in 2023 to a range of 45,000 Boe/d to 49,000 Boe/d and set the stage for a new production plateau range of 50,000 Boe/d to 54,000 Boe/d in 2024.

The Company expects that a capital program in this range will result in 2023 average sales volumes of 105,000 Boe/d to 110,000 Boe/d (47% liquids), 6,500 Boe/d higher than previous estimates and a 15% increase at midpoint from forecast average 2022 sales volumes.

Paramount is updating its estimate of 2023 free cash flow that would be expected from such a capital program from approximately $580 million to approximately $820 million to reflect higher production and commodity price assumptions.(2)

UPDATED FIVE-YEAR OUTLOOK

The Company is updating its previously provided five-year outlook to reflect revised capital and production expectations and recent commodity prices. Paramount now anticipates cumulative free cash flow through to the end of 2026 of approximately $4.1 billion, up from $3.3 billion. The Company now anticipates annual capital expenditures of approximately $550 million (up from $500 million) and a compound annual production growth rate of approximately 7% (up from 5%) through the period.(3)

DELIVERING ON FREE CASH FLOW PRIORITIES

Paramount's free cash flow priorities are: (i) the achievement of its net debt target of about $300 million and the maintenance of conservative leverage levels thereafter, (ii) shareholder returns and (iii) incremental growth. Paramount has and will continue to deliver on these priorities.

- The Company expects to achieve its net debt target of about $300 million by mid-year 2022. At this level, year-end 2022 net debt to adjusted funds flow would be less than 0.3x.(4)
- Paramount has increased shareholder returns by implementing a regular monthly dividend in July 2021 of $0.02 per share and increasing it three times to $0.10 per share beginning in May 2022. The Company retains the flexibility to make repurchases of shares under its normal course issuer bid.
- The Company has allocated incremental capital to its highest risk-adjusted rate of return organic growth opportunities and to accretive acquisitions, adding to the significant free cash flow and production growth described in the five-year outlook.

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(1) Assuming no changes to the other free cash flow forecast assumptions for 2022.

(2) The revised free cash flow estimate is based on the following assumptions for 2023: (i) the midpoint of stated capital spending and production, (ii) $40 million in abandonment and reclamation costs, (iii) $7 million in geological and geophysical expenses, (iv) realized pricing of $63.80/Boe (US$87.88/Bbl WTI, US$5.04/MMBtu NYMEX, $4.48/GJ AECO), (v) a $US/$CDN exchange rate of $0.794, (vi) royalties of $12.05/Boe, (vii) operating costs of $10.60/Boe and (vii) transportation and processing costs of $3.80/Boe.

(3) The five-year outlook is based on preliminary planning and current market conditions and is subject to change. The stated anticipated cumulative free cash flow is based on the following assumptions: (i) the stated annual capital expenditures and compound annual production growth; (ii) approximately $40 million in average annual abandonment and reclamation costs, (iii) approximately $7 million in annual geological and geophysical expenses, (iv) strip commodity prices and foreign exchange rates as at April 21, 2022, and (v) internal management estimates of future royalties, operating costs, transportation and processing costs and, in 2026, cash taxes.

(4) Assuming 2022 adjusted funds flow in excess of $1 billion.

REVIEW OF OPERATIONS

GRANDE PRAIRIE REGION

Grande Prairie Region sales volumes and netbacks are summarized below:

	Q1 2022		Q4 2021		*% Change*
Sales volumes					
Natural gas (MMcf/d)	**152.5**		158.9		*(4)*
Condensate and oil (Bbl/d)	**26,048**		26,278		*(1)*
Other NGLs (Bbl/d)	**3,267**		3,276		-
Total (Boe/d)	**54,737**		56,035		*(2)*
% liquids	***54%***		*53%*		
Netback (1)	($ millions)	*($/Boe)*	($ millions)	*($/Boe)*	*Change in $ millions (%)*
Natural gas revenue (2)	**72.1**	***5.25***	71.5	*4.89*	*1*
Condensate and oil revenue	**277.1**	***118.21***	230.5	*95.37*	*20*
Other NGLs revenue	**18.1**	***61.47***	16.6	*54.97*	*9*
Royalty and other revenue (3)	**10.7**	**-**	-	-	*NM*
Petroleum and natural gas sales	**378.0**	***76.74***	318.6	*61.81*	*19*
Royalties	**(61.4)**	***(12.46)***	(39.8)	*(7.74)*	*54*
Operating expense	**(53.7)**	***(10.89)***	(54.9)	*(10.64)*	*(2)*
Transportation and NGLs processing	**(23.2)**	***(4.73)***	(19.0)	*(3.68)*	22
	239.7	***48.66***	204.9	*39.75*	*17*

(1) "Netback" is a Non-GAAP financial measure. When presented on a $/Boe or $/Mcf basis, each of the components of Netback is a supplementary financial measure and Netback is a non-GAAP ratio. Refer to the "Specified Financial Measures" section for more information on these measures.
(2) Natural gas revenue presented as $/Mcf.
(3) In the first quarter of 2022, royalty and other revenue includes $10.6 million in respect of a contingent business interruption insurance claim. Refer to Note 12 in the unaudited Interim Condensed Consolidated Financial Statements as at and for the three months ended March 31, 2022.
NM means not meaningful.

KARR AREA

Karr sales volumes and netbacks are summarized below:

	Q1 2022		Q4 2021		*% Change*
Sales volumes					
Natural gas (MMcf/d)	**113.3**		124.0		*(9)*
Condensate and oil (Bbl/d)	**17,246**		18,521		*(7)*
Other NGLs (Bbl/d)	**2,475**		2,449		*1*
Total (Boe/d)	**38,611**		41,629		*(7)*
% liquids	***51%***		*50%*		
Netback [1]	($ millions)	*($/Boe)*	($ millions)	*($/Boe)*	*Change in $ millions (%)*
Natural gas revenue [2]	**53.1**	***5.21***	55.2	*4.84*	*(4)*
Condensate and oil revenue	**182.4**	***117.56***	161.3	*94.67*	*13*
Other NGLs revenue	**14.4**	***64.60***	13.1	*58.20*	*10*
Royalty and other revenue	**0.1**	***-***	-	*-*	*NM*
Petroleum and natural gas sales	**250.0**	***71.95***	229.6	*59.96*	*9*
Royalties	**(54.0)**	***(15.52)***	(35.7)	*(9.32)*	*51*
Operating expense	**(35.2)**	***(10.14)***	(36.0)	*(9.38)*	*(2)*
Transportation and NGLs processing	**(16.1)**	***(4.65)***	(14.0)	*(3.68)*	15
	144.7	***41.64***	143.9	*37.58*	*1*

(1) "Netback" is a Non-GAAP financial measure. When presented on a $/Boe or $/Mcf basis, each of the components of Netback is a supplementary financial measure and Netback is a non-GAAP ratio. Refer to the "Specified Financial Measures" section for more information on these measures.
(2) Natural gas revenue presented as $/Mcf.
NM means not meaningful.

First quarter 2022 sales volumes at Karr averaged 38,611 Boe/d (51% liquids) compared to 41,629 Boe/d (50% liquids) in the fourth quarter of 2021. Sales volumes were lower primarily due to natural declines. Several short, unplanned curtailments at third-party operated facilities in the first quarter, all of which have now been resolved, also contributed to the reduction.

The first seven wells at the 16-17 pad came on production ahead of schedule and under budget with preliminary drilling, completion, equipping and tie-in ("DCET") costs averaging $6.9 million per well. Average gross peak 30-day production per well was 1,395 Boe/d (3.6 MMcf/d of shale gas and 802 Bbl/d of NGLs) with an average CGR of 225 Bbl/MMcf.[1] The Company continues to strive for improved efficiencies in its development activities to mitigate inflationary pressures on DCET costs without compromising completion effectiveness or health, safety and environmental performance. The 16-17 pad, as well as the Wapiti 9-22 pad, are the Company's first two pads to have been equipped with instrument air to operate all pneumatically driven controllers. Paramount plans to equip new pads with instrument air where possible to minimize methane emissions from its operations.

Second quarter activities at Karr include completing the drilling of the remaining five wells at the 16-17 pad. These wells are expected to be brought onstream in the third quarter. Second quarter sales volumes are expected to be impacted by a 16-day full field outage for scheduled turnaround activities at third-party midstream facilities.

In the second half of 2022, the Company plans to drill, complete, tie-in and bring on production the four-well 1-2 North pad and commence drilling the five-well 4-2 South pad. In addition, the Company is

(1) Production measured at the wellhead. Natural gas sales volumes are lower by approximately 6% and liquids sales volumes are lower by approximately 6% 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. CGR means condensate to gas ratio and is calculated by dividing raw wellhead liquids volumes by raw wellhead natural gas volumes. See "Oil and Gas Measures and Definitions" in the Advisories section.

accelerating the drilling of the five-well 4-2 North pad into the fourth quarter. Paramount plans to bring onstream additional gas lift compression in the year to support liquids production and continue to build out infrastructure to debottleneck future production.

WAPITI AREA

Wapiti sales volumes and netbacks are summarized below:

	Q1 2022		Q4 2021		% Change
Sales volumes					
Natural gas (MMcf/d)	**39.2**		34.9		*12*
Condensate and oil (Bbl/d)	**8,802**		7,757		*13*
Other NGLs (Bbl/d)	**792**		827		*(4)*
Total (Boe/d)	**16,126**		14,406		*12*
% liquids	***59%***		*60%*		
Netback (1)	($ millions)	*($/Boe)*	($ millions)	*($/Boe)*	*Change in $ millions (%)*
Natural gas revenue (2)	**19.0**	***5.39***	16.3	*5.07*	*17*
Condensate and oil revenue	**94.7**	***119.49***	69.2	*97.03*	*37*
Other NGLs revenue	**3.7**	***51.67***	3.5	*45.43*	*6*
Royalty and other revenue (3)	**10.6**	***-***	-	-	*NM*
Petroleum and natural gas sales	**128.0**	***88.20***	89.0	*67.15*	*44*
Royalties	**(7.4)**	***(5.13)***	(4.1)	*(3.18)*	*80*
Operating expense	**(18.5)**	***(12.69)***	(18.9)	*(14.26)*	*(2)*
Transportation and NGLs processing	**(7.1)**	***(4.92)***	(5.0)	*(3.69)*	*42*
	95.0	***65.46***	61.0	*46.02*	*56*

(1) "Netback" is a Non-GAAP financial measure. When presented on a $/Boe or $/Mcf basis, each of the components of Netback is a supplementary financial measure and Netback is a non-GAAP ratio. Refer to the "Specified Financial Measures" section for more information on these measures.
(2) Natural gas revenue presented as $/Mcf.
(3) In the first quarter of 2022, royalty and other revenue includes $10.6 million in respect of a contingent business interruption insurance claim. Refer to Note 12 in the unaudited Interim Condensed Consolidated Financial Statements as at and for the three months ended March 31, 2022.
NM means not meaningful.

First quarter 2022 sales volumes at Wapiti averaged 16,126 Boe/d (59% liquids) compared to 14,406 Boe/d (60% liquids) in the fourth quarter of 2021 as a result of new production from the seven-well 9-22 pad that came onstream between late in the fourth quarter of 2021 and the first quarter of 2022. The increase in sales volumes was achieved despite three unplanned outages at the Wapiti Plant that resulted in approximately three weeks of downtime and approximately 5,100 Boe/d of lost production in the quarter.

Royalty and other revenue for the three months ended March 31, 2022 includes $10.6 million in respect of the Company's business interruption claim arising from outages at the Wapiti Plant in 2020 and 2021.

Despite operational challenges associated with outages at the Wapiti Plant, initial results from the seven-well 9-22 pad have been encouraging, averaging gross peak 30-day production per well of 1,503 Boe/d (4.0 MMcf/d of shale gas and 840 Bbl/d of NGLs) with an average CGR of 211 Bbl/MMcf.[1]

Drilling operations at the eight-well 8-22 pad that commenced in late 2021 are now complete. The pad is the Company's first where all wells have been configured as monobores. This delivers a cost advantage

(1) Production measured at the wellhead. Natural gas sales volumes are lower by approximately 12% and liquids sales volumes are lower by approximately 2% 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. CGR means condensate to gas ratio and is calculated by dividing raw wellhead liquids volumes by raw wellhead natural gas volumes. See "Oil and Gas Measures and Definitions" in the Advisories section.

compared to conventional multiple casing wells due to lower steel requirements and higher pumping efficiencies.

Second quarter sales volumes are anticipated to increase as all eight wells on the 8-22 pad are brought onstream. Additional second quarter activities include the drilling of eight wells at the 6-32 pad, which is forecast to be brought on production in the third quarter, and the commencement of drilling operations at the eight well 16-15 pad, which is forecast to be brought on production in early 2023. The Company also plans to commence the drilling of the eight well 8-15 pad later in the year.

KAYBOB REGION

Kaybob Region sales volumes averaged 20,726 Boe/d (28% liquids) in the first quarter compared to 21,725 Boe/d (29% liquids) in the fourth quarter of 2021. The decrease in production is primarily attributable to natural declines.

Development commenced at the Company's two Duvernay assets at Kaybob Smoky and Kaybob North. Drilling operations at the four well 10-35 pad at Kaybob Smoky were recently completed on time with preliminary drilling cost estimates coming in approximately 7% under budget. The Company plans to commence completion operations in the second quarter and expects all four wells to be onstream in the third quarter. The Company also plans to expand its 100% owned and operated 6-16 facility in 2022. Drilling of the two remaining wells at the three well Kaybob North 12-21 pad have recently commenced. The Company plans to bring all three wells onstream in the fourth quarter.

In addition to the activities at Kaybob Smoky and Kaybob North, Paramount is advancing a number of other high return opportunities in the Kaybob Region. The first (1.0 net) of four (2.5 net) Montney gas wells in the Kaybob Presley area planned for 2022 was drilled, completed and brought onstream in the first quarter and a second (0.5 net) well was drilled in the quarter and is forecast to come onstream in the second quarter. The remaining two (1.0 net) wells at Kaybob Presley are expected to be drilled, completed and brought onstream by the fourth quarter. The two (2.0 net) Kaybob Gething oil wells planned for 2022 have completed drilling operations and are forecast to come onstream in the third quarter. In addition, one (1.0 net) Kaybob Montney Oil well is planned to be drilled, completed and brought onstream over the second and third quarters.

CENTRAL ALBERTA AND OTHER REGION

Central Alberta and Other Region sales volumes averaged 6,674 Boe/d (22% liquids) in the first quarter compared to 7,505 Boe/d (26% liquids) in the fourth quarter of 2021. The decrease in production is primarily attributable to natural declines.

The recently completed acquisition at Willesden Green adds over 90,000 net acres (after deducting near-term expiries) to Paramount’s land position and approximately 200 internally estimated Duvernay drilling locations.[1] Prior to the acquisition, the Company’s preliminary development plans for Willesden Green targeted a full field production plateau of approximately 20,000 Boe/d, which could be sustained for over 15 years based on approximately 180 internally estimated Duvernay drilling locations. Paramount’s five-year outlook includes capital to advance development of the asset with production expected to begin ramping up in 2025/26. The incremental drilling inventory provided by the acquisition allows for the potential to expand development plans to increase the ultimate targeted plateau production level. The Company had already initiated an engineering design study for the expansion of its majority owned Leafland gas plant in the area as part of its 2022 capital program and will now incorporate the acquisition into the study to optimize full field development plans for Willesden Green. Paramount continues to review its plans for

(1) See also "Oil and Gas Measures and Definitions" in the Advisories section for additional information respecting internally estimated drilling locations.

Willesden Green, including the targeted plateau production level, capital allocation and pace of development.

HEDGING

Paramount has hedged approximately 31% of its remaining 2022 forecast production to provide greater free cash flow certainty. The Company's current hedging position is summarized below:

	Type [(1)]	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Average Price [(2)]
Oil – WTI Swaps (Sale) (Bbl/d)	Financial	3,500	3,500	3,500	–	US$75.79/Bbl
Oil – WTI Swaps (Sale) (Bbl/d)	Financial	3,500	3,500	3,500	–	CDN$91.38/Bbl
Oil – WTI Collars (Bbl/d)	Financial	7,000	7,000	7,000	–	CDN$82.50/Bbl (Floor)
						CDN$100.47/Bbl (Ceiling)
Sweet Crude Oil – Basis (Sale) (Bbl/d)	Physical	5,186	–	–	–	WTI - US$2.15/Bbl
Gas – NYMEX Swaps (Sale) (MMBtu/d)	Financial	30,000	–	–	–	US$4.62/MMBtu
Gas – NYMEX Swaps (Sale) (MMBtu/d)	Financial	–	30,000	–	–	US$4.67/MMBtu
Gas – NYMEX Swaps (Sale) (MMBtu/d)	Financial	–	–	3,370	–	US$4.91/MMBtu
Gas – AECO fixed price (GJ/d)	Physical	80,000	80,000	26,957	–	CDN$3.78/GJ
Gas – Dawn fixed price (MMBtu/d)	Physical	20,000	20,000	6,739	–	US$4.03/MMBtu
Fx – CDN/USD Forwards (US$MM/Month)	Forwards	$15	$20	$20	$10	1.2804 C$ / US$
Fx – CDN/USD Collars (US$MM/Month)	Financial	$5	$5	$3.3	–	1.25 C$ / US$ (Floor)
						1.30 C$ / US$ (Ceiling)
Fx – CDN/USD Swaps (US$MM/Month)	Financial	$6.7	$10	$10	$10	1.2888 C$ / US$

(1) Financial, refers to financial commodity and foreign currency exchange contracts. Physical, refers to fixed-priced and basis physical contracts. Forwards, refers to foreign currency exchange forwards contracts.

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

ANNUAL GENERAL MEETING

Paramount will hold its annual general meeting of shareholders in a virtual-only format accessible at https://meetnow.global/MD9YA2M on Wednesday, May 4, 2022 at 10:30 a.m. (Calgary time).

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

Paramount's first quarter 2022 results, including Management's Discussion and Analysis and the Company's Consolidated Financial Statements, can be obtained on SEDAR at www.sedar.com or on Paramount's website at https://www.paramountres.com/investors/financial-shareholder-reports.

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

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FINANCIAL AND OPERATING RESULTS (1)

($ millions, except as noted)	Q1 2022		Q4 2021		Q1 2021	
Net income (loss)		**16.6**		101.0		**(82.5)**
per share – basic ($/share)		***0.12***		*0.75*		***(0.62)***
per share – diluted ($/share)		***0.11***		*0.70*		***(0.62)***
Cash from operating activities		**174.9**		191.8		**81.3**
per share – basic ($/share)		***1.25***		*1.42*		***0.61***
per share – diluted ($/share)		***1.20***		*1.33*		***0.61***
Adjusted funds flow		**237.8**		174.6		**90.9**
per share – basic ($/share)		***1.70***		*1.29*		***0.69***
per share – diluted ($/share)		***1.63***		*1.21*		***0.69***
Free cash flow		**103.4**		99.0		**21.6**
per share – basic ($/share)		***0.74***		*0.73*		***0.16***
per share – diluted ($/share)		***0.71***		*0.69*		***0.16***
Total assets		**4,095.5**		3,885.1		**3,583.1**
Long-term debt		**302.6**		386.3		**712.7**
Net debt		**361.2**		456.7		**761.7**
Common shares outstanding *(millions)* (2)		**140.0**		139.2		**132.8**
Sales volumes (3)						
Natural gas (MMcf/d)		**272.9**		284.8		**273.1**
Condensate and oil (Bbl/d)		**31,375**		32,342		**29,854**
Other NGLs (Bbl/d)		**5,276**		5,462		**5,170**
Total (Boe/d)		**82,137**		85,265		**80,540**
% liquids		***45%***		*44%*		***43%***
Grande Prairie Region (Boe/d)		**54,737**		56,035		**47,385**
Kaybob Region (Boe/d)		**20,726**		21,725		**24,938**
Central Alberta & Other Region (Boe/d)		**6,674**		7,505		**8,217**
Total (Boe/d)		**82,137**		85,265		**80,540**
Netback		*$/Boe (4)*		*$/Boe (4)*		*$/Boe (4)*
Natural gas revenue	**127.1**	***5.18***	124.7	*4.76*	**77.3**	***3.14***
Condensate and oil revenue	**331.9**	***117.53***	281.1	*94.46*	**185.9**	***69.20***
Other NGLs revenue	**29.3**	***61.64***	27.4	*54.61*	**15.0**	***32.29***
Royalty and other revenue	**11.3**	—	1.3	—	**1.9**	—
Petroleum and natural gas sales	**499.6**	***67.59***	434.5	*55.40*	**280.1**	***38.64***
Royalties	**(76.2)**	***(10.31)***	(52.5)	*(6.69)*	**(18.6)**	***(2.57)***
Operating expense	**(89.2)**	***(12.07)***	(91.0)	*(11.61)*	**(84.3)**	***(11.63)***
Transportation and NGLs processing	**(31.3)**	***(4.24)***	(26.1)	*(3.33)*	**(27.9)**	***(3.84)***
Sales of commodities purchased (5)	**48.8**	***6.59***	22.1	*2.82*	**8.6**	***1.18***
Commodities purchased (5)	**(49.1)**	***(6.64)***	(22.3)	*(2.85)*	**(8.8)**	***(1.21)***
Netback	**302.6**	***40.92***	264.7	*33.74*	**149.1**	***20.57***
Risk management contract settlements	**(49.7)**	***(6.72)***	(72.4)	*(9.23)*	**(32.7)**	***(4.51)***
Netback including risk management contract settlements	**252.9**	***34.20***	192.3	*24.51*	**116.4**	***16.06***
Capital expenditures						
Grande Prairie Region		**76.8**		57.7		**51.3**
Kaybob Region		**31.1**		3.8		**5.0**
Central Alberta & Other Region		**0.1**		2.6		**1.2**
Corporate		**9.0**		1.6		**1.8**
Total		**117.0**		65.7		**59.3**
Asset retirement obligations settlements		**14.8**		7.0		**8.4**

(1) Adjusted funds flow, free cash flow and net debt are capital management measures used by Paramount. Netback and netback including risk management contract settlements are non-GAAP financial measures. Netback and Netback including risk management contract settlements presented on a $/Boe or $/Mcf basis are non-GAAP ratios. Each measure, other than net income, that is presented on a per share, $/Mcf or $/Boe basis is a supplementary financial measure. Refer to the "Specified Financial Measures" section for more information on these measures. Prior period free cash flow has been reclassified to conform with the current year's presentation.
(2) Common shares are presented net of shares held in trust under the Company's restricted share unit plan: Q1 2022: 1.5 million; Q4 2021: 1.5 million; Q1 2021: 1.9 million.
(3) Refer to the Product Type Information section of this document for a complete breakdown of sales volumes for applicable periods by specific product type.
(4) Natural gas revenue presented as $/Mcf.
(5) Sales of commodities purchased and commodities purchased are treated as corporate items and not allocated to individual regions or properties.

PRODUCT TYPE INFORMATION

This press release refers to sales volumes of "liquids", "natural gas", "condensate and oil" and "other NGLs". "Liquids" means NGLs (including condensate) and oil combined, "natural gas" refers to conventional natural gas and shale gas combined, "condensate and oil" refers to condensate, light and medium crude oil and tight oil combined and "other NGLs" refers to ethane, propane and butane. Below is a complete breakdown of sales volumes for applicable periods by the specific product types of shale gas, conventional natural gas, NGLs, tight oil and light and medium crude oil. Numbers may not add due to rounding.

	Total			Grande Prairie Region			Kaybob Region		
	Q1 2022	Q4 2021	Q1 2021	Q1 2022	Q4 2021	Q1 2021	Q1 2022	Q4 2021	Q1 2021
Shale gas (MMcf/d)	**213.1**	220.4	197.8	**151.4**	156.5	120.6	**35.7**	35.6	42.1
Conventional natural gas (MMcf/d)	**59.8**	64.4	75.3	**1.1**	2.4	2.0	**53.6**	56.8	65.8
Natural gas (MMcf/d)	**272.9**	284.8	273.1	**152.5**	158.9	122.6	**89.3**	92.4	107.9
Condensate (Bbl/d)	**29,098**	29,797	27,017	**26,042**	26,272	23,974	**2,130**	2,184	2,611
Other NGLs (Bbl/d)	**5,276**	5,462	5,170	**3,267**	3,276	2,984	**1,558**	1,788	1,677
NGLs (Bbl/d)	**34,374**	35,259	32,187	**29,309**	29,548	26,958	**3,688**	3,972	4,288
Tight oil (Bbl/d)	**403**	497	479	**-**	-	-	**322**	355	342
Light and medium crude oil (Bbl/d)	**1,874**	2,048	2,358	**6**	6	-	**1,832**	2,000	2,321
Crude oil (Bbl/d)	**2,277**	2,545	2,837	**6**	6	-	**2,154**	2,355	2,663
Total (Boe/d)	**82,137**	85,265	80,540	**54,737**	56,035	47,385	**20,726**	21,725	24,938

	Central and Other Region			Karr			Wapiti		
	Q1 2022	Q4 2021	Q1 2021	Q1 2022	Q4 2021	Q1 2021	Q1 2022	Q4 2021	Q1 2021
Shale gas (MMcf/d)	**26.0**	28.2	35.1	**112.8**	122.5	89.1	**38.6**	34.0	31.5
Conventional natural gas (MMcf/d)	**5.1**	5.3	7.5	**0.5**	1.5	1.1	**0.6**	0.9	0.9
Natural gas (MMcf/d)	**31.1**	33.5	42.6	**113.3**	124.0	90.2	**39.2**	34.9	32.4
Condensate (Bbl/d)	**926**	1,341	433	**17,246**	18,521	16,095	**8,796**	7,751	7,879
Other NGLs (Bbl/d)	**451**	398	509	**2,475**	2,449	2,108	**792**	827	876
NGLs (Bbl/d)	**1,377**	1,739	942	**19,721**	20,970	18,203	**9,588**	8,578	8,755
Tight oil (Bbl/d)	**81**	142	136	**-**	-	-	**-**	-	-
Light and medium crude oil (Bbl/d)	**36**	42	37	**-**	-	-	**6**	6	-
Crude oil (Bbl/d)	**117**	184	173	**-**	-	-	**6**	6	-
Total (Boe/d)	**6,674**	7,505	8,217	**38,611**	41,629	33,230	**16,126**	14,406	14,155

The Company forecasts that 2022 sales volumes will average between 91,000 Boe/d and 95,000 Boe/d (54% shale gas and conventional natural gas combined, 40% light and medium crude oil, tight oil and condensate combined and 6% other NGLs). First half 2022 sales volumes are expected to average between 81,000 Boe/d and 85,000 Boe/d (56% shale gas and conventional natural gas combined, 38% light and medium crude oil, tight oil and condensate combined and 6% other NGLs). Second half 2022 sales volumes are expected to average between 101,000 Boe/d and 105,000 Boe/d (53% shale gas and conventional natural gas combined, 41% light and medium crude oil, tight oil and condensate combined and 6% other NGLs).

SPECIFIED FINANCIAL MEASURES

Non-GAAP Financial Measures

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

Netback equals petroleum and natural gas sales (the most directly comparable measure disclosed in the Company's primary financial statements) plus sales of commodities purchased less royalties, operating expense, transportation and NGLs processing expense and commodities purchased. Netback is used by investors and Management to compare the performance of the Company's producing assets between periods.

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

Refer to the table under the heading "Financial and Operating Results" in this press release for the calculation of netback and netback including risk management contract settlements for the three months ended March 31, 2022 and 2021.

Non-GAAP Ratios

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

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

Capital Management Measures

Adjusted funds flow, free cash flow and net debt are capital management measures that Paramount utilizes in managing its capital structure. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Refer to Note 15 – Capital Structure in the unaudited Interim Condensed Consolidated Financial Statements of Paramount as at and for the three months ended March 31, 2022 for: (i) a description of the composition and use of these measures, (ii) reconciliations of adjusted funds flow and free cash flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three months ended March 31, 2022 and 2021 and (iii) a calculation of net debt as at March 31, 2022 and December 31, 2021.

Supplementary Financial Measures

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

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

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

ADVISORIES

Forward-looking Information

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

- the expectation that the Company will achieve its net debt target of about $300 million mid-year 2022 and potential net debt to adjusted funds flow at year-end;
- planned abandonment and reclamation expenditures and activities in 2022 and 2023;
- planned capital expenditures in 2022;
- forecast sales volumes for 2022 and certain periods therein;
- forecast free cash flow in 2022;
- preliminary anticipated capital expenditures in 2023 and the resulting expected 2023 average sales volumes and free cash flow;
- expected production growth at Karr in 2023 and the potential range of plateau production at Karr in 2024;
- the Company's five-year outlook for capital spending, annual production growth rate and cumulative free cash flow;
- planned exploration, development and production activities, including the expected timing of drilling, completing and bringing new wells on production;
- the expectation that second quarter sales volumes at Karr will be impacted by a 16-day full field outage for scheduled turnaround activities at third-party midstream facilities;
- expected increases in sales volumes at Wapiti in the second quarter of 2022;
- internally estimated drilling locations and potential plateau production volumes at Willesden Green and the time period over which plateau production volumes may be maintained; and
- the payment of future dividends under the Company's monthly dividend program.

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

- future commodity prices;
- the impact of the COVID-19 pandemic on the Company;
- the ability to realize expected cost savings;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates, interest rates and the rate of inflation;
- general business, economic and market conditions;
- the performance of wells and facilities;
- 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, materials, services 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 and the capacity and reliability of facilities;
- 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 receipt of benefits under government programs;
- 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, the construction, commissioning and start-up of new and expanded facilities, including third-party facilities, and facility turnarounds and maintenance).

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

- fluctuations in commodity prices;
- changes in capital spending plans and planned exploration and development activities;
- the potential for changes to preliminary anticipated 2023 capital expenditures prior to finalization and changes to the resulting expected 2023 average sales volumes and free cash flow;
- the potential for changes to the Company's five-year outlook for capital spending, annual production growth rate and cumulative free cash flow;
- changes in foreign currency exchange rates, interest rates and the rate of inflation;
- the uncertainty of estimates and projections relating to future revenue, free cash flow, production, reserve additions, product 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, materials, services and personnel in a timely manner and at an acceptable cost, including the potential effects of inflation and supply chain disruptions;
- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities (including third-party facilities);
- 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 from operating activities 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;
- uncertainties as to 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, insurance claims, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities.

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

The foregoing list of risks is not exhaustive. For more information relating to risks, see the sections titled "*Risk Factors*" in Paramount's annual information form for the year ended December 31, 2021, 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.

Certain forward-looking information in this press release, including forecast free cash flow in 2022 and future periods, may also constitute a "financial outlook" within the meaning of applicable securities laws. A financial outlook involves statements about Paramount's prospective financial performance or position and is based on and subject to the assumptions and risk factors described above in respect of forward-looking information generally as well as any other specific assumptions and risk factors in relation to such financial outlook noted in this press release. Such assumptions are based on management's assessment of the relevant information currently available and any financial outlook included in this press release is provided for the purpose of helping readers understand Paramount's current expectations and plans for the future. Readers are cautioned that reliance on any financial outlook may not be appropriate for other purposes or in other circumstances and that the risk factors described above or other factors may cause actual results to differ materially from any financial outlook.

Oil and Gas Measures and Definitions

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

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

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

This press release contains disclosures expressed as "Boe", "$/Boe", "MBoe", "MMBoe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the three months ended March 31, 2022, the value ratio between crude oil and natural gas was approximately 27:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value.

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

This press release contains information respecting Paramount's internal estimate of Duvernay drilling locations at Willesden Green. The referenced drilling locations represent future potential undeveloped gross locations as estimated effective December 31, 2021 by internal qualified reserves evaluators from Paramount. The referenced drilling locations were determined by Paramount's internal evaluators based on, among other matters, their assessment of available reservoir, geological and technical information, the economic thresholds necessary for development and potential future development plans. There is no certainty that the Company will drill any of the identified future potential undeveloped locations and there is no certainty that such locations will result in any reserves or production. The locations on which the Company will actually drill wells, including the number and timing thereof, will be dependent upon the availability of funding, regulatory approvals, seasonal restrictions, oil, NGLs and natural gas prices, costs, actual drilling results, additional reservoir, geological and technical information that is obtained and other factors. While certain of the estimated undeveloped locations have been de-risked by drilling existing wells in relative close proximity to such locations, many of the locations are further away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty as to whether wells will be drilled in such locations, and if wells are drilled in such locations there is more uncertainty that such wells will result in any reserves or production. There is no guarantee that any internally estimated future potential development locations will be included and assigned reserves in any future reserves report prepared for the Company.

Additional information respecting the Company's oil and gas properties and operations is provided in the Company's annual information form for the year ended December 31, 2021 which is available on SEDAR at www.sedar.com.

Management's Discussion and Analysis
For the three months ended March 31, 2022

This Management's Discussion and Analysis ("MD&A"), dated May 3, 2022 should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the three months ended March 31, 2022 (the "Interim Financial Statements") and Paramount's audited Consolidated Financial Statements as at and for the year ended December 31, 2021 (the "Annual Financial Statements"). Financial data included in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and is stated in millions of Canadian dollars, unless otherwise noted. The Company's accounting policies have been applied consistently to all periods presented. Certain comparative figures have been reclassified to conform to the current year's presentation.

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. Paramount's principal properties are located in Alberta and British Columbia. Paramount commenced operations as a public company in 1978 and has adapted to a multitude of operating and economic climates over the years. The Company's Class A common shares ("Common Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "POU". Additional information concerning Paramount, including its Annual Information Form for the year ended December 31, 2021 ("Annual Information Form"), can be found on the SEDAR website at www.sedar.com.

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

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

The Company's assets include: (i) strategic investments in exploration and pre-development stage assets, including prospective shale gas acreage in the Liard Basin in northeast British Columbia and the Northwest Territories, prospective natural gas and oil acreage in the Mackenzie Delta and Central Mackenzie in the Northwest Territories and interests held by the Company's wholly-owned subsidiary Cavalier Energy Inc. prospective for in-situ thermal oil recovery and heavy oil; (ii) drilling rigs owned by the Company's wholly-owned limited partnership Fox Drilling Limited Partnership ("Fox Drilling"); and (iii) investments in other entities.

SPECIFIED FINANCIAL MEASURES, PRODUCT TYPES AND OTHER ADVISORIES

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

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

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

FINANCIAL AND OPERATING HIGHLIGHTS

Three months ended March 31	2022	2021	% Change
FINANCIAL			
Petroleum and natural gas sales	**499.6**	280.1	*78*
Net income (loss)	**16.6**	(82.5)	*120*
Per share – basic ($/share)	***0.12***	*(0.62)*	
Per share – diluted ($/share)	***0.11***	*(0.62)*	
Cash from operating activities	**174.9**	81.3	*115*
Per share – basic ($/share) (1)	***1.25***	*0.61*	
Per share – diluted ($/share) (1)	***1.20***	*0.61*	
Adjusted funds flow (1)	**237.8**	90.9	*162*
Per share – basic ($/share)	***1.70***	*0.69*	
Per share – diluted ($/share)	***1.63***	*0.69*	
Free cash flow (1)	**103.4**	21.6	*379*
Per share – basic ($/share)	***0.74***	*0.16*	
Per share – diluted ($/share)	***0.71***	*0.16*	
Total assets	**4,095.5**	3,583.1	*14*
Long-term debt	**302.6**	712.7	*(58)*
Net debt (1)	**361.2**	761.7	*(53)*
Total liabilities	**1,343.3**	1,548.1	*(13)*
Common shares outstanding (millions) (2)	**140.0**	132.8	*5*
OPERATIONAL			
Sales volumes			
Natural gas (MMcf/d)	**272.9**	273.1	–
Condensate and oil (Bbl/d)	**31,375**	29,854	*5*
Other NGLs (Bbl/d)	**5,276**	5,170	*2*
Total (Boe/d)	**82,137**	80,540	*2*
% Liquids	***45%***	*43%*	
Realized prices (1)			
Natural gas ($/Mcf)	**5.18**	3.14	*65*
Condensate and oil ($/Bbl)	**117.53**	69.20	*70*
Other NGLs ($/Bbl)	**61.64**	32.29	*91*
Petroleum and natural gas sales ($/Boe)	**67.59**	38.64	*75*
Capital expenditures	**117.0**	59.3	*97*

(1) Adjusted funds flow, free cash flow and net debt are capital management measures used by Paramount. Each measure, other than net income (loss), presented on a per share, $/Bbl, $/Mcf or $/Boe basis is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures. Prior period free cash flow results have been reclassified to conform with the current year's presentation.

(2) Common Shares are presented net of shares held in trust under the Company's restricted share unit plan (Common Shares): 2022: 1.5 million and 2021: 1.9 million.

Q1 2022 OVERVIEW

Paramount's first quarter 2022 financial and operating results reflect the Company's continued strong operational performance and capital discipline in a robust commodity price environment. In the quarter:

- Sales volumes were in-line with expectations, averaging 82,137 Boe/d (45% liquids) compared to 85,265 Boe/d (44% liquids) in the fourth quarter of 2021.
    - Sales volumes at Karr averaged 38,611 Boe/d (51% liquids) compared to 41,629 Boe/d (50% liquids) in the fourth quarter of 2021, reflecting natural declines pending the addition of new well production later in the year and several short unplanned curtailments at third-party facilities that are now resolved.
    - Sales volumes at Wapiti averaged 16,126 Boe/d (59% liquids) compared to 14,406 Boe/d (60% liquids) in the fourth quarter of 2021 despite approximately three weeks of unplanned downtime at the third-party Wapiti natural gas processing plant (the "Wapiti Plant") in 2022 that impacted the quarter's production by about 5,100 Boe/d.
- Cash from operating activities was $174.9 million ($1.25 per basic share) compared to $191.8 million ($1.42 per basic share) in the fourth quarter of 2021. Adjusted funds flow was $237.8 million ($1.70 per basic share) compared to $174.6 million ($1.29 per basic share) in the fourth quarter of 2021. Free cash flow was $103.4 million ($0.74 per basic share) compared to $99.0 million ($0.73 per basic share) in the fourth quarter of 2021.
- Capital expenditures totaled $117.0 million and were predominantly focused on drilling and completion activities at Karr and Wapiti as well as in the Kaybob Region.
- Abandonment and reclamation expenditures totaled $14.8 million, net of $4.8 million in funding under the Alberta Site Rehabilitation Program ("ASRP").
- Paramount realized cash proceeds of $51.0 million from the sale of a portion of its investments in securities in the first quarter.
- Net debt was $361.2 million at March 31, 2022 compared to $456.7 million at December 31, 2021.
- The Company completed an asset acquisition in the Grande Prairie Region for $24.4 million.

The free cash flow generated during the quarter, along with proceeds from dispositions, was allocated to: (i) the reduction of indebtedness, contributing to a $95.5 million reduction in net debt, (ii) the payment of an aggregate of $28.2 million in dividends and (iii) $29.2 million in land and property acquisitions. First quarter 2022 net debt to adjusted funds flow was 0.6x compared to 0.9x at year-end 2021.[(1)] See "Free Cash Flow Priorities" and "Liquidity and Capital Resources" in this MD&A.

In late April, the Company acquired Duvernay lands and production directly offsetting its existing 61,000 net acre position in the Willesden Green area of Alberta for approximately $40 million in cash prior to adjustments. Current production from the acquisition is approximately 1,300 Boe/d (49% liquids).

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

In May, the Company increased the capacity of its financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility") to $1.0 billion and extended the maturity date to May 3, 2026. The capacity of the Paramount Facility can be further increased by up to $250 million pursuant to an accordion feature, subject to incremental lender commitments.

The Company continues to monitor its supply chain and the availability and cost of materials and third-party services. While the Company has not experienced a material interruption in the availability of supplies or services, it is observing inflationary cost pressures. Paramount has responded to these pressures by seeking additional efficiencies in its capital program and operations and through advance planning and ordering aimed at mitigating future cost increases and potential shortages of supplies and services. The degree of continuing inflation in the cost of materials and services, and the ultimate impact on Paramount, remains uncertain.

Commodity prices and economic conditions remain, in part, dependent on the course of the COVID-19 pandemic and the response thereto. The Company continues to proactively respond to the pandemic and the risks that it poses, including the risks described in this MD&A under "Risk Factors".

UPDATED 2022 GUIDANCE AND PRELIMINARY 2023 BUDGET

The Company's planned 2022 capital expenditures have been upwardly revised by $20 million to a range of between $520 million and $560 million. The additional capital expenditures will be used to accelerate the drilling of a five-well pad at Karr from 2023 into late 2022 to facilitate further production growth in 2023. Paramount remains committed to prudently managing its capital resources and has the flexibility to adjust its capital expenditure plans depending on commodity prices and other factors. The Company continues to budget $33 million of abandonment and reclamation expenditures in 2022, net of approximately $8 million in funding under the ASRP.

Paramount is reaffirming its 2022 annual production guidance to average between 91,000 Boe/d and 95,000 Boe/d (46% liquids).

- First half 2022 sales volumes are expected to average between 81,000 Boe/d and 85,000 Boe/d (44% liquids).
- Second half 2022 sales volumes are expected to average between 101,000 Boe/d and 105,000 Boe/d (47% liquids).

The Company is increasing its forecast of 2022 free cash flow from approximately $590 million to approximately $710 million to reflect higher commodity price assumptions and its updated capital expenditure plan. This increased free cash flow forecast is based on the following assumptions for 2022: (i) the midpoint of forecast capital spending and production, (ii) $33 million in net abandonment and reclamation costs, (iii) $7 million in geological and geophysical expenses, (iv) realized pricing of $72.55/Boe (US$97.07/Bbl WTI, US$6.34/MMBtu NYMEX, $5.34/GJ AECO), (v) a $US/$CDN exchange rate of $0.793, (vi) royalties of $12.40/Boe, (vii) operating costs of $11.30/Boe and (viii) transportation and processing costs of $4.10/Boe.

The Company's 2022 capital program, targeted net debt reduction and regular monthly dividend would remain fully funded down to an average WTI price of about US$50.00/Bbl over the last three quarters of 2022 assuming no changes to the other free cash flow forecast assumptions for 2022.

Paramount's anticipated 2023 capital expenditure budget, based on preliminary planning and current market conditions, has been upwardly revised by $60 million at the midpoint to a range of between $540 million and $580 million. The additional capital expenditures will largely be focused on accelerating development activities at Karr to grow production by approximately 4,000 Boe/d in 2023 to a range of 45,000 Boe/d to 49,000 Boe/d and set the stage for a new production plateau range of 50,000 Boe/d to 54,000 Boe/d in 2024.

The Company expects that a capital program in this range will result in 2023 average sales volumes of 105,000 Boe/d to 110,000 Boe/d (47% liquids), 6,500 Boe/d higher than previous estimates and a 15 percent increase at midpoint from forecast average 2022 sales volumes.

Paramount is updating its estimate of 2023 free cash flow that would be expected from such a capital program from approximately $580 million to $820 million to reflect higher production and commodity price assumptions. This updated free cash flow estimate is based on the following assumptions for 2023: (i) the midpoint of stated capital spending and production, (ii) $40 million in abandonment and reclamation costs, (iii) $7 million in geological and geophysical expenses, (iv) realized pricing of $63.80/Boe (US$87.88/Bbl WTI, US$5.04/MMBtu NYMEX, $4.48/GJ AECO), (v) a $US/$CDN exchange rate of $0.794, (vi) royalties of $12.05/Boe, (vii) operating costs of $10.60/Boe and (vii) transportation and processing costs of $3.80/Boe.

FREE CASH FLOW PRIORITIES

Paramount's free cash flow priorities are: (i) the achievement of its net debt target of about $300 million and the maintenance of conservative leverage levels thereafter, (ii) shareholder returns and (iii) incremental growth.

- The Company now expects to achieve its net debt target by mid-year 2022, earlier than previously projected even after accounting for the $40 million Willesden Green acquisition.
- Paramount has increased shareholder returns by implementing a regular monthly dividend in July 2021 of $0.02 per Common Share and increasing it three times to $0.10 per share beginning in May 2022.
- The Company has allocated incremental capital to growth opportunities, including the acceleration of the Karr development and acquisitions at Karr and Willesden Green.

Paramount has hedged approximately 31 percent of its remaining 2022 forecast production to provide greater free cash flow certainty. See "Operating Results – Risk Management Contracts".

CONSOLIDATED RESULTS

Net Income (Loss)

Paramount recorded net income of $16.6 million for the three months ended March 31, 2022 compared to a net loss of $82.5 million in the same period in 2021. Significant factors contributing to the change are shown below:

Three months ended March 31	
Net loss – 2021	**(82.5)**
• Higher netback in 2022, mainly due to higher commodity prices	153.5
• Lower depletion and depreciation expense in 2022	63.3
• Lower interest and financing expense in 2022	12.0
• Provision recorded in 2021	7.5
• Higher loss on risk management contracts in 2022	(70.8)
• Lower gain on sale of oil and gas assets in 2022	(39.7)
• Income tax expense in 2022 compared to a recovery in 2021	(29.4)
• Other	2.7
Net income – 2022	**16.6**

Cash From Operating Activities

Cash from operating activities for the three months ended March 31, 2022 was $174.9 million compared to $81.3 million in the same period in 2021. Significant factors contributing to the change are shown below:

Three months ended March 31	
Cash from operating activities – 2021	**81.3**
• Higher netback in 2022, mainly due to higher commodity prices	153.5
• Lower interest and financing expense in 2022	10.7
• Provision recorded in 2021	7.5
• Change in non-cash working capital	(53.4)
• Higher payments on risk management contract settlements in 2022	(17.0)
• Higher asset retirement obligations settled in 2022	(6.4)
• Other	(1.3)
Cash from operating activities – 2022	**174.9**

Adjusted Funds Flow [(1)]

Adjusted funds flow for the three months ended March 31, 2022 was $237.8 million compared to $90.9 million in the same period in 2021. Significant factors contributing to the change are shown below:

Three months ended March 31	
Adjusted funds flow – 2021	**90.9**
• Higher netback in 2022, mainly due to higher commodity prices	153.5
• Lower interest and financing expense in 2022	10.7
• Higher payments on risk management contract settlements in 2022	(17.0)
• Other	(0.3)
Adjusted funds flow – 2022	**237.8**

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

Three months ended March 31	2022	2021
Cash from operating activities	**174.9**	81.3
Change in non-cash working capital (2)	**45.5**	(7.9)
Geological and geophysical expense (3)	**2.6**	1.6
Asset retirement obligations settled (2)	**14.8**	8.4
Provisions (4)	**–**	7.5
Adjusted funds flow	**237.8**	90.9
Adjusted funds flow (*$/Boe*) (5)	**32.17**	12.54

(1) Adjusted funds flow is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.
(2) Refer to the "Interim Condensed Consolidated Statements of Cash Flows" in the Interim Financial Statements.
(3) Refer to Note 2 in the Interim Financial Statements.
(4) Refer to Note 13 in the Interim Financial Statements.
(5) Adjusted funds flow ($/Boe) is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information.

Free Cash Flow (1)

Free cash flow for the three months ended March 31, 2022 was $103.4 million compared to $21.6 million for the three months ended March 31, 2021. Significant factors contributing to the change are shown below:

Three months ended March 31	
Free cash flow – 2021	**21.6**
• Change in adjusted funds flow (described in "Adjusted Funds Flow" section above)	146.9
• Higher capital expenditures in 2022	(57.7)
• Higher asset retirement obligations settled in 2022	(6.4)
• Higher geological and geophysical expense in 2022	(1.0)
Free cash flow – 2022	**103.4**

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

Three months ended March 31	2022	2021
Cash from operating activities	**174.9**	81.3
Change in non-cash working capital (2)	**45.5**	(7.9)
Geological and geophysical expense (3)	**2.6**	1.6
Asset retirement obligations settled (2)	**14.8**	8.4
Provisions (4)	**–**	7.5
Adjusted funds flow	**237.8**	90.9
Capital expenditures (2)	**(117.0)**	(59.3)
Geological and geophysical expense (3)	**(2.6)**	(1.6)
Asset retirement obligations settled (2)	**(14.8)**	(8.4)
Free cash flow	**103.4**	21.6

(1) Free cash flow is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure. Prior period results have been updated to reflect the current period presentation.
(2) Refer to the "Interim Condensed Consolidated Statements of Cash Flows" in the Interim Financial Statements.
(3) Refer to Note 2 in the Interim Financial Statements.
(4) Refer to Note 13 in the Interim Financial Statements.

OPERATING RESULTS

Netback [1]

Three months ended March 31	2022		2021	
		($/Boe) [2][3]		($/Boe) [2][3]
Natural gas revenue [4]	127.1	5.18	77.3	3.14
Condensate and oil revenue [4]	331.9	117.53	185.9	69.20
Other NGLs revenue [4]	29.3	61.64	15.0	32.29
Royalty and other revenue [4]	11.3	–	1.9	–
Petroleum and natural gas sales [5]	499.6	67.59	280.1	38.64
Royalties [5]	(76.2)	(10.31)	(18.6)	(2.57)
Operating expense [5]	(89.2)	(12.07)	(84.3)	(11.63)
Transportation and NGLs processing [5]	(31.3)	(4.24)	(27.9)	(3.84)
Sales of commodities purchased [5]	48.8	6.59	8.6	1.18
Commodities purchased [5]	(49.1)	(6.64)	(8.8)	(1.21)
Netback	302.6	40.92	149.1	20.57
Risk management contract settlements [6]	(49.7)	(6.72)	(32.7)	(4.51)
Netback including risk management contract settlements [7]	252.9	34.20	116.4	16.06

(1) Netback is a non-GAAP financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.
(2) Natural gas revenue shown per Mcf.
(3) When presented on a $/Boe or $/Mcf basis, each of the components of Netback is a supplementary financial measure and Netback and Netback including risk management contract settlements are non-GAAP ratios. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.
(4) Refer to Note 12 in the Interim Financial Statements. Royalty and other revenue for the three months ended March 31, 2022 includes $10.6 million in respect of a business interruption insurance claim.
(5) Refer to "Interim Condensed Consolidated Statements of Comprehensive Income (Loss)" in the Interim Financial Statements.
(6) Refer to Note 11 in the Interim Financial Statements.
(7) Netback including risk management contract settlements is a non-GAAP financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.

Petroleum and natural gas sales were $499.6 million in the first quarter of 2022, an increase of $219.5 million from the same period in the prior year mainly due to higher commodity 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 other	Total
Three months ended March 31, 2021	77.3	185.9	15.0	1.9	280.1
Effect of changes in sales volumes	(0.1)	9.5	0.3	–	9.7
Effect of changes in prices	49.9	136.5	14.0	–	200.4
Change in royalty and other revenue	–	–	–	9.4	9.4
Three months ended March 31, 2022	**127.1**	**331.9**	**29.3**	**11.3**	**499.6**

Royalty and other revenue for the three months ended March 31, 2022 includes $10.6 million in respect of a business interruption insurance claim arising from outages at the Wapiti Plant in 2020 and 2021.

Sales Volumes [1]

	Three months ended March 31											
	Natural gas (MMcf/d)			Condensate and oil (Bbl/d)			Other NGLs (Bbl/d)			Total (Boe/d)		
	2022	2021	% Change	**2022**	2021	% Change	**2022**	2021	% Change	**2022**	2021	% Change
Karr	**113.3**	90.2	*26*	**17,246**	16,095	*7*	**2,475**	2,108	*17*	**38,611**	33,230	*16*
Wapiti	**39.2**	32.4	*21*	**8,802**	7,879	*12*	**792**	876	*(10)*	**16,126**	14,155	*14*
Grande Prairie	**152.5**	122.6	*24*	**26,048**	23,974	*9*	**3,267**	2,984	*9*	**54,737**	47,385	*16*
Kaybob	**89.3**	107.9	*(17)*	**4,284**	5,274	*(19)*	**1,558**	1,677	*(7)*	**20,726**	24,938	*(17)*
Central Alberta and Other	**31.1**	42.6	*(27)*	**1,043**	606	*72*	**451**	509	*(11)*	**6,674**	8,217	*(19)*
Total	**272.9**	273.1	–	**31,375**	29,854	*5*	**5,276**	5,170	*2*	**82,137**	80,540	*2*

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

Sales volumes were 82,137 Boe/d (45% liquids) in the first quarter of 2022 compared to 80,540 Boe/d (43% liquids) in the same period in 2021. The Company focused its capital program in 2021 on its developments at Karr and Wapiti, which resulted in higher 2022 sales volumes in the liquids rich Grande Prairie Region and lower sales volumes in the Kaybob Region due to declines.

At Karr, first quarter 2022 sales volumes were 38,611 Boe/d (51% liquids) compared to 33,230 Boe/d (55% liquids) in the same period in 2021. The increase was primarily attributable to seven new wells being brought onstream in the first quarter of 2022 in addition to 10 new wells brought on production in the second half of 2021.

Sales volumes at Wapiti increased to 16,126 Boe/d (59% liquids) in the first quarter of 2022 compared to 14,155 Boe/d (62% liquids) in the first quarter of 2021. The increase was mainly due to four new wells being brought onstream in the first quarter of 2022 in addition to 10 new wells brought on production in the second half of 2021. Production at Wapiti in the first quarter of 2022 was impacted by about 5,100 Boe/d (59% liquids) due to unplanned outages at the Wapiti Plant totaling approximately three weeks.

First quarter 2022 sales volumes were lower by approximately 900 Boe/d (5.2 MMcf/d of conventional natural gas and 45 Bbl/d of NGLs) in the Kaybob Region and approximately 2,500 Boe/d (11.8 MMcf/d of shale gas and 572 Bbl/d of NGLs) in the Central Alberta and Other Region compared to the same period in 2021 due to non-core dispositions completed in 2021.

Commodity Prices (1)

Three months ended March 31	2022	2021	% Change
Natural Gas			
Paramount realized natural gas price ($/Mcf)	**5.18**	3.14	*65*
AECO daily spot ($/GJ)	**4.49**	2.99	*50*
AECO monthly index ($/GJ)	**4.35**	2.77	*57*
Dawn ($/MMbtu)	**5.63**	3.72	*51*
NYMEX (US$/MMbtu)	**4.57**	2.73	*67*
Malin – monthly index (US$/MMbtu)	**5.66**	2.70	*110*
Condensate and Oil			
Paramount realized condensate & oil price ($/Bbl)	**117.53**	69.20	*70*
Edmonton light sweet crude oil ($/Bbl)	**117.66**	68.62	*71*
West Texas Intermediate crude oil (US$/Bbl)	**94.29**	57.84	*63*
Other NGLs			
Paramount realized Other NGLs price ($/Bbl)	**61.64**	32.29	*91*
Conway – propane ($/Bbl)	**68.42**	48.77	*40*
Belvieu – butane ($/Bbl)	**84.46**	50.35	*68*
Foreign Exchange			
$CDN / 1 $US	**1.27**	1.27	–

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

Paramount's natural gas portfolio primarily consists of sales priced at Alberta, British Columbia, California, Chicago, Ventura and Eastern Canada markets, which are sold in a combination of daily, monthly, seasonal and fixed-priced physical contracts. The Company's natural gas portfolio includes arrangements to sell approximately 60,000 GJ/d of natural gas at Dawn, to sell approximately 22,000 GJ/d of natural gas at Malin and 40,000 GJ/d of natural gas sales priced in the US Midwest.

Realized natural gas prices in the first quarter of 2022 include the impact of 40,000 GJ/d of natural gas sales under fixed-priced physical contracts at C$4.06/GJ (2021 – 90,000 GJ/d of natural gas at C$2.59/GJ).

The Company had the following fixed-price and basis differential physical contracts at March 31, 2022:

	Volume	Location	Average price	Remaining term
Natural gas	80,000 GJ/d	AECO	CDN$3.78/GJ	April 2022 – October 2022
Natural gas	20,000 MMBtu/d	Dawn	US$4.03/MMBtu	April 2022 – October 2022
Peace sweet crude oil	5,186 Bbl/d	Peace (1)	WTI – US$2.15/Bbl	April 2022 – June 2022

(1) Peace refers to the Peace Pipeline at Edmonton.

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

The Company's propane and butane contracts in place in the first quarter of 2022 had more favorable differentials to West Texas Intermediate reference prices than the same period in 2021, which along with higher benchmark prices, resulted in a 91 percent increase in Paramount's realized Other NGLs price.

Risk Management Contracts

Commodity Contracts

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

	Three months ended March 31, 2022
Fair value, beginning of period	5.4
Changes in fair value	(153.1)
Settlements paid	49.8
Fair value, end of period	**(97.9)**

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

The following table summarizes the Company's financial commodity and physical contracts at May 3, 2022:

	Type (1)	Q2 2022	Q3 2022	Q4 2022	Average Price (2)
Oil – WTI Swaps (Sale) (Bbl/d)	Financial	3,500	3,500	3,500	US$75.79/Bbl
Oil – WTI Swaps (Sale) (Bbl/d)	Financial	3,500	3,500	3,500	CDN$91.38/Bbl
Oil – WTI Collars (Bbl/d)	Financial	7,000	7,000	7,000	CDN$82.50/Bbl (Floor) CDN$100.47/Bbl (Ceiling)
Sweet Crude Oil – Basis (Sale) (Bbl/d)	Physical	5,186	–	–	WTI – US$2.15/Bbl
Gas – NYMEX Swaps (Sale) (MMBtu/d)	Financial	30,000	–	–	US$4.62/MMBtu
Gas – NYMEX Swaps (Sale) (MMBtu/d)	Financial	–	30,000	–	US$4.67/MMBtu
Gas – NYMEX Swaps (Sale) (MMBtu/d)	Financial	–	–	3,370	US$4.91/MMBtu
Gas – AECO Fixed Price (GJ/d)	Physical	80,000	80,000	26,957	CDN$3.78/GJ
Gas – Dawn Fixed Price (MMBtu/d)	Physical	20,000	20,000	6,739	US$4.03/MMBtu

(1) Financial refers to financial commodity contracts. Physical refers to fixed-priced and basis physical contracts.
(2) Average price is calculated using a weighted average of notional volumes and prices.

Foreign Currency Exchange Contracts

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

The Company had the following foreign currency exchange contracts at March 31, 2022:

Instruments	Aggregate amount / notional	Average rate	Remaining term
Foreign Currency Exchange Forwards	US$5 million / month	1.27 C$ / US$1.00	April 2022 – December 2022
Foreign Currency Exchange Collars	US$5 million / month	1.25 C$ / US$1.00 (Floor) 1.30 C$ / US$1.00 (Ceiling)	April 2022 – November 2022

Subsequent to March 31, 2022, the Company entered into the following foreign currency exchange contracts:

Instruments	Aggregate amount	Average rate	Remaining term
Foreign Currency Exchange Forwards	US$10 million / month	1.2813 C$ / US$1.00	May 2022 – December 2022
Foreign Currency Exchange Forwards	US$5 million / month	1.2850 C$ / US$1.00	May 2022 – March 2023
Foreign Currency Exchange Swaps	US$10 million / month	1.2888 C$ / US$1.00	May 2022 – March 2023
Foreign Currency Exchange Forwards	US$5 million / month	1.2900 C$ / US$1.00	January 2023 – March 2023

Royalties

Three months ended March 31	2022	Rate (1)	2021	Rate (1)
Royalties	**76.2**	**15.6%**	18.6	6.7%
$/Boe (1)	***10.31***		*2.57*	

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

Royalties were $76.2 million in the first quarter of 2022, $57.6 million higher than the same period in 2021. Royalties increased in 2022 due to both higher royalty rates and higher petroleum and natural gas sales. The royalty rate increased in 2022 due to higher commodity prices and a greater proportion of Karr wells having fully utilized new well royalty incentives.

Operating Expense

Three months ended March 31	2022	2021	% Change
Operating expense	**89.2**	84.3	6
$/Boe (1)	***12.07***	*11.63*	*4*

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

Operating expenses were $89.2 million in the first quarter of 2022 compared to $84.3 million in the same period in 2021. Operating costs were higher in the first quarter of 2022 compared to the same period in 2021 mainly as a result of increased workover and maintenance activities, higher production and processing fees in the Grande Prairie Region and higher chemical costs. These increases were partially offset by lower operating costs because of lower production in the Kaybob and Central Alberta & Other Regions.

Operating expense was $12.07 per Boe in the first quarter of 2022 compared to $11.63 per Boe in the same period of 2021, mainly due to the changes in costs described above. In the first quarter of 2022, operating costs at Karr and Wapiti were $10.14 per Boe and $12.69 per Boe, respectively, compared to $10.67 per Boe and $13.42 per Boe, respectively, in the first quarter of 2021.

Transportation and NGLs Processing

Three months ended March 31	2022	2021	% Change
Transportation and NGLs processing	**31.3**	27.9	12
$/Boe (1)	***4.24***	*3.84*	*10*

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

Transportation and NGLs processing expense was $31.3 million in the first quarter of 2022 compared to $27.9 million in the same period in 2021. Transportation and NGLs processing costs increased in 2022 mainly as a result of higher production volumes at Karr and Wapiti.

Other Items

Three months ended March 31	2022	2021
Depletion and depreciation	(72.6)	(73.1)
Change in asset retirement obligations	(11.5)	(71.2)
ASRP funding	4.8	1.7
Gain on sale of oil and gas assets	1.7	41.4
Exploration and evaluation expense	(16.0)	(20.9)

Depletion and depreciation expense was $72.6 million in the first quarter of 2022, relatively unchanged compared to $73.1 million in the first quarter of 2021.

In the first quarter of 2022, the Company recorded a charge of $11.5 million (2021 - $71.2 million) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value. In the first quarter of 2022, the changes resulted from revisions to the estimated costs. The changes in 2021 were primarily due to revisions in the credit-adjusted risk-free rate used to discount obligations.

In the first quarter of 2021, the Company sold certain non-core properties in the Kaybob and Central Alberta and Other Regions for aggregate cash proceeds of approximately $80 million. A gain of $41.4 million was recognized on these sales.

Exploration and evaluation expense was $16.0 million in the first quarter of 2022, a decrease of $4.9 million compared to $20.9 million in the first quarter of 2021, primarily due to lower expenses related to expired mineral leases.

ASSET RETIREMENT OBLIGATIONS

Paramount's strategy is to utilize the advantages of the Alberta Energy Regulator's area-based closure program to advance its abandonment and reclamation activities in an efficient and cost-effective manner by targeting its efforts in concentrated areas. In the first quarter of 2022, Paramount focused its activities in the Zama area, which was shut-in in 2019.

Abandonment and reclamation expenditures in the first quarter of 2022 totaled $14.8 million, net of approximately $4.8 million in funding under the ASRP. Activities in the first quarter of 2022 included the abandonment of 63 wells, including 36 under the Company's ongoing area-based closure program at Zama.

As at March 31, 2022, estimated undiscounted, uninflated asset retirement obligations were $1,313.9 million (December 31, 2021 – $1,318.7 million). As at March 31, 2022, the Company's discounted asset retirement obligations were $655.1 million (discounted at 7.0 percent and using an inflation rate of 2.0 percent) compared to $651.1 million as at December 31, 2021 (discounted at 7.0 percent and using an inflation rate of 2.0 percent). For further details concerning the Company's asset retirement obligations, refer to the Interim Financial Statements.

OTHER ASSETS

Investments in Securities

As at	March 31, 2022	December 31, 2021
Level one fair value hierarchy securities ("Level One Securities")	402.8	300.2
Level three fair value hierarchy securities ("Level Three Securities")	76.4	71.9
	479.2	372.1

Paramount holds investments in a number of publicly-traded and private corporations as part of its portfolio of investments. Investments that are categorized as Level One Securities are carried at their period-end trading prices. Estimates of fair values for investments that are categorized as Level Three Securities are based on valuation techniques that incorporate unobservable inputs. The valuation techniques utilize market-based metrics of comparable companies and transactions, indicators of value based on equity transactions of the entities and other indicators of value including financial and operating results of the entities. Fair value estimates of Level Three Securities are updated at each balance sheet date to confirm whether the carrying value of the investment continues to fall within a range of possible fair values indicated by such techniques.

For the three months ended March 31, 2022, the Company recorded $158.1 million, before tax, to other comprehensive income as a result of changes in the fair value estimates of its investments in securities.

Paramount sold a portion of its Level One Securities in the first quarter of 2022 for cash proceeds of $51.0 million, resulting in $11.1 million of accumulated gains, net of tax, being reclassified from reserves to accumulated deficit.

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

	Three months ended March 31, 2022	Twelve months ended December 31, 2021
Investments in securities, beginning of period	372.1	59.5
Changes in fair value of Level One Securities	153.6	256.0
Changes in fair value of Level Three Securities	4.5	60.8
Acquired	–	1.0
Proceeds of dispositions	(51.0)	(5.2)
Investments in securities, end of period	479.2	372.1

CORPORATE

Three months ended March 31	2022	2021
General and administrative	(9.3)	(8.7)
Share-based compensation	(7.5)	(6.0)
Interest and financing	(4.7)	(16.7)
Accretion of asset retirement obligations	(10.8)	(10.8)
Deferred income tax (expense) recovery	(7.3)	22.1

General and administrative expense was $9.3 million in the first quarter of 2022 compared to $8.7 million in the same period in 2021.

Interest and financing expense was $4.7 million in the first quarter of 2022, a decrease of $12.0 million, compared to $16.7 million in the first quarter of 2021 mainly due to lower average debt balances.

Deferred income tax expense was $7.3 million in the first quarter of 2022 compared to a recovery of $22.1 million in the same period of 2021.

CAPITAL EXPENDITURES AND LAND AND PROPERTY ACQUISITIONS

Capital Expenditures

Three months ended March 31	2022	2021
Drilling, completion, equipping and tie-ins	106.0	55.7
Facilities and gathering	2.0	1.8
Corporate	9.0	1.8
Capital expenditures	**117.0**	59.3
Grande Prairie Region	76.8	51.3
Kaybob Region	31.1	5.0
Central Alberta and Other Region	0.1	1.2
Corporate	9.0	1.8
Capital expenditures	**117.0**	59.3

Land and Property Acquisitions

Three months ended March 31	2022	2021
Land and property acquisitions	**29.2**	–

Capital expenditures were $117.0 million in the first quarter of 2022 compared to $59.3 million in the first quarter of 2021. Expenditures in the first quarter of 2022 were mainly directed to drilling and completion programs in the Grande Prairie and Kaybob Regions. Significant capital program activities in the first quarter of 2022 included the following:

- At Karr, the Company completed and brought on production 7 (7.0 net) wells. Preliminary drilling, completion, equipping and tie-in ("DCET") costs for the wells were under budget, at an average of $6.9 million per well.

- At Wapiti, Paramount drilled 8 (8.0 net) wells, completed 1 (1.0 net) well and brought on production 4 (4.0 net) wells.

- In the Kaybob Region, the Company drilled 6 (5.5 net) wells, completed 2 (2.0 net) wells and brought on production 1 (1.0 net) well.

The Company continues to strive for improved efficiencies in its development activities in an effort to mitigate upward pressure on DCET costs without compromising completion effectiveness or health, safety and environmental performance.

In the first quarter of 2022, the Company completed an asset acquisition in the Grande Prairie Region for $24.4 million.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

iii. maximize shareholder returns considering the risk environment.

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

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

As at	March 31, 2022	December 31, 2021
Cash and cash equivalents	(1.5)	(1.7)
Accounts receivable (1)	(207.8)	(139.7)
Prepaid expenses and other	(8.4)	(7.3)
Accounts payable and accrued liabilities	276.3	219.1
Long-term debt	302.6	386.3
Net debt	**361.2**	456.7

(1) Accounts receivable excludes amounts relating to subleases (March 31, 2022 – $2.2 million, December 31, 2021 – $2.2 million).

Net debt does not account for the $479.2 million carrying value of the Company's investments in securities as at March 31, 2022.

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

Based on the forecasts of 2022 sales volumes and the pricing assumptions set out in this MD&A under "Updated 2022 Guidance and Preliminary 2023 Budget", Paramount expects to fully fund budgeted 2022 capital expenditures and net budgeted expenditures for abandonment and reclamation activities from cash from operating activities. Paramount may utilize borrowing capacity under the Paramount Facility for liquidity from time to time to temporarily fund operations during periods should expenditures exceed cash from operating activities.

The ability of cash from operating activities to satisfy the Company's funding requirements in 2022 and future years is dependent on a number of factors, including commodity prices, sales volumes, royalties, operating and transportation costs, general and administrative and interest expenses and foreign exchange rates.

Paramount may also determine to divest of assets or investments in securities from time to time to reduce indebtedness or fund operations. In the first quarter of 2022, Paramount sold a portion of its investments in securities for aggregate cash proceeds of $51.0 million and used the proceeds to reduce indebtedness under the Paramount Facility. Subject to market conditions and availability, proceeds from new debt and/or equity financings may also provide additional sources of capital from time to time.

Paramount Facility

In May 2022, the Company increased the capacity and extended the maturity date of the Paramount Facility.

The Paramount Facility has a credit limit of $1.0 billion, which can be increased by up to $250 million at Paramount's request pursuant to an accordion feature in the facility, subject to incremental lender commitments. The maturity date of the Paramount Facility is May 3, 2026.

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

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

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

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

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

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

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

Paramount was in compliance with the financial covenants under the Paramount Facility at March 31, 2022.

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling $2.3 million at March 31, 2022 that reduce the amount available to be drawn on the facility.

Unsecured Letter of Credit Facility

The Company has a $70 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank. Paramount's obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada ("EDC"). The PSG is valid to June 30, 2022 and may be extended from time-to-time with the agreement of EDC. At March 31, 2022, $26.9 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2021 – $38.7 million).

Cash Flow Hedges

The Company had the following floating-to-fixed interest rate and electricity swaps at March 31, 2022:

Contract type	Aggregate notional	Remaining term	Average fixed contract rate	Reference	Fair value
Interest Rate Swaps	$250 million	April 2022 – January 2023	2.3%	CDOR (1)	(0.7)
Interest Rate Swaps	$250 million	April 2022 – January 2026	2.4%	CDOR (1)	3.0
Electricity Swaps	120 MWh/d (2)	January 2023 – December 2023	$62.50/MWh	AESO Pool Price (3)	0.6
Electricity Swaps	120 MWh/d (2)	January 2024 – December 2024	$53.25/MWh	AESO Pool Price (3)	0.4
					3.3

(1) Canadian Dollar Offered Rate.
(2) "MWh" means megawatt-hour.
(3) Floating hourly rate established by the Alberta Electric System Operator.

The Company has classified its floating-to-fixed interest and electricity swaps as cash flow hedges and applied hedge accounting. At March 31, 2022, $250 million (December 31, 2021 - $150 million) of the $500 million floating-to-fixed interest rate swaps were de-designated as cash flow hedges due to declines in borrowings under the Paramount Facility, resulting in $0.3 million (December 31, 2021 – $1.9 million) of unrealized losses being reclassified from other comprehensive income to interest and financing expense. There were no other changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified on the floating-to-fixed electricity swaps.

Share Capital

At April 29, 2022, Paramount had 140.8 million Common Shares outstanding (net of 0.8 million Common Shares held in trust under the Company's restricted share unit plan) and 10.2 million options to acquire Common Shares outstanding, of which 1.8 million options are exercisable.

Dividends

Dividends declared in the three months ended March 31, 2022 totaled $0.20 per Common Share. The Company paid a dividend of $0.08 per Common Share on April 29, 2022 to shareholders of record on April 14, 2022.

Normal Course Issuer Bid

In June 2021, Paramount implemented a normal course issuer bid (the "NCIB") under which the Company may purchase up to 7.3 million Common Shares for cancellation. The NCIB will terminate on the earlier of June 29, 2022 and the date on which the maximum number of Common Shares that can be acquired pursuant to the NCIB are purchased. Purchases of Common Shares under the NCIB will be effected through the facilities of the TSX or alternative Canadian trading systems at the market price at the time of purchase. The Company has repurchased and cancelled 197,500 Common Shares at a total cost of $2.7

million under the NCIB. No shares were purchased under the NCIB during the three months ended March 31, 2022.

QUARTERLY INFORMATION [(1)]

	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Petroleum and natural gas sales	**499.6**	434.5	369.2	299.8	280.1	202.6	139.1	112.7
Revenue	**472.2**	404.1	369.6	288.3	270.1	207.3	145.4	116.0
Net income (loss)	**16.6**	101.0	292.7	(74.3)	(82.5)	311.5	(23.3)	(75.7)
Per share – basic ($/share)	***0.12***	*0.75*	*2.20*	*(0.56)*	*(0.62)*	*2.35*	*(0.17)*	*(0.57)*
Per share – diluted ($/share)	***0.11***	*0.70*	*2.06*	*(0.56)*	*(0.62)*	*2.35*	*(0.17)*	*(0.57)*
Cash from (used in) operating activities	**174.9**	191.8	97.0	112.1	81.3	53.2	11.4	(14.2)
Per share – basic ($/share)	***1.25***	*1.42*	*0.73*	*0.84*	*0.61*	*0.40*	*0.09*	*(0.11)*
Per share – diluted ($/share)	***1.20***	*1.33*	*0.68*	*0.84*	*0.61*	*0.40*	*0.09*	*(0.11)*
Adjusted funds flow	**237.8**	174.6	148.4	86.0	90.9	67.9	29.5	19.0
Per share – basic ($/share)	***1.70***	*1.29*	*1.12*	*0.65*	*0.69*	*0.51*	*0.22*	*0.14*
Per share – diluted ($/share)	***1.63***	*1.21*	*1.04*	*0.65*	*0.69*	*0.51*	*0.22*	*0.14*
Dividends declared ($/share)	**0.20**	0.14	0.06	–	–	–	–	–
Sales volumes								
Natural gas (MMcf/d)	**272.9**	284.8	269.7	273.1	273.1	256.3	224.0	253.2
Condensate and oil (Bbl/d)	**31,375**	32,342	32,177	29,543	29,854	25,752	19,782	22,823
Other NGLs (Bbl/d)	**5,276**	5,462	5,017	4,938	5,170	4,987	3,952	3,817
Total (Boe/d)	**82,137**	85,265	82,150	79,995	80,540	73,460	61,064	68,839
Liquids %	***45%***	*44%*	*45%*	*43%*	*43%*	*42%*	*39%*	*39%*
Realized prices								
Natural gas ($/Mcf)	**5.18**	4.76	3.89	3.01	3.14	2.83	1.94	1.94
Condensate and oil ($/Bbl)	**117.53**	94.46	84.42	77.96	69.20	52.03	48.74	29.05
Other NGLs ($/Bbl)	**61.64**	54.61	47.05	32.11	32.29	20.61	18.10	12.28
Total ($/Boe)	**67.59**	55.40	48.86	41.18	38.64	29.97	24.76	17.99

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

Significant Items Impacting Quarterly Results

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

- First quarter 2022 earnings include a $152.0 million loss on risk management contracts.
- Fourth quarter 2021 earnings include a charge of $19.9 million related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value and a $14.1 million loss on risk management contracts.
- Third quarter 2021 earnings include aggregate impairment reversals of $282.6 million from previously recorded impairment charges of petroleum and natural gas assets and a $32.3 million gain on the sale of oil and gas assets, partially offset by a $47.0 million loss on risk management contracts.

- The second quarter 2021 loss includes a $75.7 million loss on risk management contracts and a charge of $42.0 million related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value.
- The first quarter 2021 loss includes an $81.2 million loss on risk management contracts, a charge of $69.5 million mainly related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value and a $41.4 million gain on the sale of oil and gas assets.
- Fourth quarter 2020 earnings include aggregate impairment reversals of $333.7 million from previously recorded impairment charges of petroleum and natural gas assets and a deferred income tax recovery of $64.4 million, partially offset by a charge of $29.7 million related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value.
- The third quarter 2020 loss includes a recovery of $25.6 million related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value.
- The second quarter 2020 loss includes a recovery of $13.6 million related to deferred income tax.

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 currently anticipate that these claims will have a material impact on its financial position.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the three months ended March 31, 2022, there was no change in the Company's internal control over financial reporting ("ICFR") that materially affected, or is reasonably likely to materially affect, the Company's ICFR.

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

RISK FACTORS

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

The course of the COVID-19 pandemic remains highly uncertain. The extent to which the COVID-19 pandemic impacts Paramount's future operations and financial performance are currently unknown and are dependent on a number of unpredictable factors outside of the knowledge and control of Management, including the duration and severity of the pandemic, the impact of the pandemic on economic growth, inflation, supply chains, commodity prices and financial and capital markets and governmental responses and restrictions. These uncertainties may continue to persist beyond the point where the outbreak of the COVID-19 virus has subsided. See "Risk Factors – COVID 19 Pandemic" in the Annual Information Form.

PRODUCT TYPE INFORMATION

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

	2022	2021				2020				Annual	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2021	2020
SALES VOLUMES – TOTAL COMPANY BY PRODUCT TYPE											
Shale gas (MMcf/d)	**213.1**	220.4	207.1	205.8	197.8	170.7	141.0	156.0	158.9	207.9	156.7
Conventional natural gas (MMcf/d)	**59.8**	64.4	62.6	67.3	75.3	85.6	83.0	97.2	102.6	67.3	92.0
Natural gas (MMcf/d)	**272.9**	284.8	269.7	273.1	273.1	256.3	224.0	253.2	261.5	275.2	248.7
Condensate (Bbl/d)	**29,098**	29,797	29,670	26,784	27,017	22,782	17,020	19,615	17,908	28,328	19,334
Other NGLs (Bbl/d)	**5,276**	5,462	5,017	4,938	5,170	4,987	3,952	3,817	4,539	5,147	4,325
NGLs (Bbl/d)	**34,374**	35,259	34,687	31,722	32,187	27,769	20,972	23,432	22,447	33,475	23,659
Tight oil (Bbl/d)	**403**	497	475	494	479	437	457	381	575	487	462
Light and medium crude oil (Bbl/d)	**1,874**	2,048	2,032	2,265	2,358	2,533	2,305	2,827	3,416	2,174	2,768
Crude oil (Bbl/d)	**2,277**	2,545	2,507	2,759	2,837	2,970	2,762	3,208	3,991	2,661	3,230
Total (Boe/d)	**82,137**	85,265	82,150	79,995	80,540	73,460	61,064	68,839	70,022	82,001	68,340

SALES VOLUMES – BY REGION BY PRODUCT TYPE											
GRANDE PRAIRIE REGION											
Shale gas (MMcf/d)	**151.4**	156.5	145.8	132.2	120.6	92.7	66.0	76.8	73.1	138.8	77.2
Conventional natural gas (MMcf/d)	**1.1**	2.4	2.2	2.1	2.0	1.6	1.3	1.5	1.5	2.2	1.4
Natural gas (MMcf/d)	**152.5**	158.9	148.0	134.3	122.6	94.3	67.3	78.3	74.6	141.0	78.6
Condensate (Bbl/d)	**26,042**	26,272	26,639	24,086	23,974	19,635	13,959	16,292	14,058	25,253	15,991
Other NGLs (Bbl/d)	**3,267**	3,276	3,274	2,874	2,984	2,429	2,060	1,680	1,680	3,103	1,964
NGLs (Bbl/d)	**29,309**	29,548	29,913	26,960	26,958	22,064	16,019	17,972	15,738	28,356	17,955
Tight oil (Bbl/d)	**–**	–	–	–	–	–	–	–	–	–	–
Light and medium crude oil (Bbl/d)	**6**	6	9	4	–	–	1	17	39	5	14
Crude oil (Bbl/d)	**6**	6	9	4	–	–	1	17	39	5	14
Total (Boe/d)	**54,737**	56,035	54,586	49,345	47,385	37,782	27,237	31,039	28,214	51,869	31,076

KAYBOB REGION											
Shale gas (MMcf/d)	**35.7**	35.6	36.9	39.3	42.1	41.9	40.4	44.4	48.6	38.6	43.8
Conventional natural gas (MMcf/d)	**53.6**	56.8	54.4	58.0	65.8	76.3	73.4	87.1	91.6	58.6	82.1
Natural gas (MMcf/d)	**89.3**	92.4	91.3	97.3	107.9	118.2	113.8	131.5	140.2	97.2	125.9
Condensate (Bbl/d)	**2,130**	2,184	2,072	2,319	2,611	2,631	2,577	2,954	3,385	2,295	2,885
Other NGLs (Bbl/d)	**1,558**	1,788	1,415	1,569	1,677	1,953	1,363	1,718	2,218	1,612	1,812
NGLs (Bbl/d)	**3,688**	3,972	3,487	3,888	4,288	4,584	3,940	4,672	5,603	3,907	4,697
Tight oil (Bbl/d)	**322**	355	368	354	342	299	308	203	394	355	301
Light and medium crude oil (Bbl/d)	**1,832**	2,000	1,979	2,224	2,321	2,480	2,257	2,762	3,343	2,129	2,709
Crude oil (Bbl/d)	**2,154**	2,355	2,347	2,578	2,663	2,779	2,565	2,965	3,737	2,484	3,010
Total (Boe/d)	**20,726**	21,725	21,054	22,688	24,938	27,056	25,477	29,561	32,700	22,588	28,685

	2022	2021				2020				Annual	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2021	2020
CENTRAL ALBERTA AND OTHER REGION											
Shale gas (MMcf/d)	**26.0**	28.2	24.4	34.3	35.1	36.1	34.6	34.8	37.1	30.5	35.7
Conventional natural gas (MMcf/d)	**5.1**	5.3	6.0	7.2	7.5	7.7	8.3	8.6	9.6	6.5	8.5
Natural gas (MMcf/d)	**31.1**	33.5	30.4	41.5	42.6	43.8	42.9	43.4	46.7	37.0	44.2
Condensate (Bbl/d)	**926**	1,341	959	379	433	515	484	369	465	781	458
Other NGLs (Bbl/d)	**451**	398	328	495	509	605	529	419	641	432	549
NGLs (Bbl/d)	**1,377**	1,739	1,287	874	942	1,120	1,013	788	1,106	1,213	1,007
Tight oil (Bbl/d)	**81**	142	107	140	136	138	149	178	180	131	161
Light and medium crude oil (Bbl/d)	**36**	42	44	37	37	54	47	48	33	40	46
Crude oil (Bbl/d)	**117**	184	151	177	173	192	196	226	213	171	207
Total (Boe/d)	**6,674**	7,505	6,510	7,962	8,217	8,622	8,350	8,239	9,108	7,544	8,579

	2022	2021				2020				Annual	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2021	2020
SALES VOLUMES – KARR BY PRODUCT TYPE											
Shale gas (MMcf/d)	**112.8**	122.5	113.0	106.3	89.1	69.6	48.6	45.5	58.7	107.9	55.6
Conventional natural gas (MMcf/d)	**0.5**	1.5	1.4	1.3	1.1	0.9	0.6	0.6	0.7	1.3	0.7
Natural gas (MMcf/d)	**113.3**	124.0	114.4	107.6	90.2	70.5	49.2	46.1	59.4	109.2	56.3
Condensate (Bbl/d)	**17,246**	18,521	18,328	18,458	16,095	13,348	9,541	7,501	9,691	17,858	10,028
Other NGLs (Bbl/d)	**2,475**	2,449	2,477	2,281	2,108	1,817	1,503	829	1,290	2,330	1,361
NGLs (Bbl/d)	**19,721**	20,970	20,805	20,739	18,203	15,165	11,044	8,330	10,981	20,188	11,389
Total (Boe/d)	**38,611**	41,629	39,878	38,679	33,230	26,914	19,246	16,009	20,885	38,381	20,777

SALES VOLUMES – WAPITI BY PRODUCT TYPE											
Shale gas (MMcf/d)	**38.6**	34.0	32.8	25.9	31.5	23.1	17.4	31.3	14.4	30.9	21.6
Conventional natural gas (MMcf/d)	**0.6**	0.9	0.8	0.8	0.9	0.7	0.7	0.9	0.8	0.9	0.7
Natural gas (MMcf/d)	**39.2**	34.9	33.6	26.7	32.4	23.8	18.1	32.2	15.2	31.8	22.3
Condensate (Bbl/d)	**8,796**	7,751	8,311	5,628	7,879	6,287	4,418	8,791	4,367	7,395	5,963
Other NGLs (Bbl/d)	**792**	827	797	593	876	612	557	851	390	773	603
NGLs (Bbl/d)	**9,588**	8,578	9,108	6,221	8,755	6,899	4,975	9,642	4,757	8,168	6,566
Tight oil (Bbl/d)	**–**	–	–	–	–	–	–	–	–	–	–
Light and medium crude oil (Bbl/d)	**6**	6	9	4	–	–	1	17	39	5	14
Crude oil (Bbl/d)	**6**	6	9	4	–	–	1	17	39	5	14
Total (Boe/d)	**16,126**	14,406	14,708	10,666	14,155	10,868	7,991	15,030	7,329	13,488	10,299

The Company forecasts that 2022 sales volumes will average between 91,000 Boe/d and 95,000 Boe/d (54% shale gas and conventional natural gas combined, 40% light and medium crude oil, tight oil and condensate combined and 6% other NGLs). First half 2022 sales volumes are expected to average between 81,000 Boe/d and 85,000 Boe/d (56% shale gas and conventional natural gas combined, 38% light and medium crude oil, tight oil and condensate combined and 6% other NGLs). Second half 2022 sales volumes are expected to increase to average between 101,000 Boe/d and 105,000 Boe/d (53% shale gas and conventional natural gas combined, 41% light and medium crude oil, tight oil and condensate combined and 6% other NGLs).

SPECIFIED FINANCIAL MEASURES

Non-GAAP Financial Measures

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

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

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

A calculation of netback and netback including risk management contract settlements for the three months ended March 31, 2022 and 2021 is provided in this MD&A under "Operating Results - Netback".

Non-GAAP Ratios

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

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

Capital Management Measures

Adjusted funds flow, free cash flow, net debt and net debt to adjusted funds flow are capital management measures that Paramount utilizes in managing its capital structure. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Refer to Note 15 – Capital Structure in the Interim Financial Statements for a description of the composition and use of these measures. Refer also to "Liquidity and Capital Resources" in this MD&A.

A reconciliation of adjusted funds flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three month periods ended March 31, 2022 and 2021 is provided in this MD&A under "Consolidated Results – Adjusted Funds Flow".

A reconciliation of free cash flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three month periods ended March 31, 2022 and 2021 is provided in this MD&A under "Consolidated Results – Free Cash Flow".

A calculation of net debt as at March 31, 2022 and December 31, 2021 is provided in this MD&A under "Liquidity and Capital Resources". At March 31, 2022, Paramount's net debt to adjusted funds flow was 0.6x (December 31, 2021 – 0.9x).

Supplementary Financial Measures

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

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

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

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

ADVISORIES

Forward-looking Information

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

- planned capital expenditures in 2022;
- forecast sales volumes for 2022 and certain periods therein;
- forecast free cash flow in 2022;
- preliminary anticipated capital expenditures in 2023 and the resulting expected 2023 average sales volumes and free cash flow;
- expected production growth at Karr in 2023 and the potential range of plateau production at Karr in 2024;
- the Company's priorities and expectations respecting the allocation of free cash flow;
- the expectation that the Company will achieve its net debt target of about $300 million by mid-year 2022;
- planned abandonment and reclamation expenditures and activities in 2022 and 2023;
- planned exploration, development and production activities, including the expected timing of drilling, completing and bringing new wells on production;
- the expectation that the Company will be able to fund budgeted capital expenditures and net abandonment and reclamation expenditures in 2022 with cash from operating activities;
- the anticipation that legal proceedings will not have a material impact on Paramount's financial position;
- the payment of future dividends under the Company's monthly dividend program; and
- the potential impacts of the COVID-19 pandemic.

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

- future commodity prices;
- the impact of the COVID-19 pandemic on the Company;
- the ability to realize expected cost savings;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates, interest rates and the rate of inflation;
- general business, economic and market conditions;
- the performance of wells and facilities, including the performance of wells acquired in acquisitions;
- 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, materials, services 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 and the capacity and reliability of facilities;
- the ability of Paramount to market its production 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, product yields and resource recoveries) and operational improvements, efficiencies and results consistent with expectations;

- the timely receipt of required governmental and regulatory approvals;
- the receipt of benefits under government programs;
- the application of regulatory requirements respecting abandonment and reclamation;
- the merits of outstanding and pending legal proceedings; and
- anticipated timelines and budgets being met in respect of drilling programs and other operations (including well completions and tie-ins, the construction, commissioning and start-up of new and expanded facilities, including third-party facilities, and facility turnarounds and maintenance).

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

- those risks set out in this MD&A under "Risk Factors";
- fluctuations in commodity prices;
- changes in capital spending plans and planned exploration and development activities;
- the potential for changes to preliminary anticipated 2023 capital expenditures prior to finalization and changes to the resulting expected 2023 average sales volumes and free cash flow;
- changes in foreign currency exchange rates, interest rates and the rate of inflation;
- the uncertainty of estimates and projections relating to future revenue, free cash flow, production, reserves additions, product 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 sales volumes, including the risk of spills, leaks or blowouts;
- the ability to obtain equipment, materials, services and personnel in a timely manner and at an acceptable cost, including the potential effects of inflation and supply chain disruptions;
- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities (including third-party facilities);
- 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 from operating activities 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 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;
- uncertainties as to 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.

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

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risk Factors" in Paramount's annual information form for the year ended December 31, 2021, 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.

Certain forward-looking information in this MD&A, including forecast free cash flow in 2022 and future periods, may also constitute a "financial outlook" within the meaning of applicable securities laws. A financial outlook involves statements about Paramount's prospective financial performance or position and is based on and subject to the assumptions and risk factors described above in respect of forward-looking information generally as well as any other specific assumptions and risk factors in relation to such financial outlook noted in this MD&A. Such assumptions are based on management's assessment of the relevant information currently available and any financial outlook included in this MD&A is provided for the purpose of helping readers understand Paramount's current expectations and plans for the future. Readers are cautioned that reliance on any financial outlook may not be appropriate for other purposes or in other circumstances and that the risk factors described above or other factors may cause actual results to differ materially from any financial outlook.

Oil and Gas Measures and Definitions

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
WTI	West Texas Intermediate

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

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

This MD&A contains disclosures expressed as "Boe", "$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the three months ended March 31, 2022, the value ratio between crude oil and natural gas was approximately 27:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value.

Interim Condensed Consolidated Financial Statements (Unaudited)
As at and for the three months ended March 31, 2022

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

($ millions)

As at	Note	March 31 2022	December 31 2021
ASSETS			
Current assets			
Cash and cash equivalents	14	**1.5**	1.7
Accounts receivable		**210.0**	141.9
Risk management – current	11	**1.8**	5.8
Prepaid expenses and other		**8.4**	7.3
		221.7	156.7
Lease receivable	6	**–**	0.5
Investments in securities	4	**479.2**	372.1
Risk management – long-term	11	**4.3**	0.7
Exploration and evaluation	2	**534.0**	539.9
Property, plant and equipment, net	3	**2,338.5**	2,269.7
Deferred income tax	10	**517.8**	545.5
		4,095.5	3,885.1
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**276.3**	219.1
Risk management – current	11	**99.3**	6.5
Asset retirement obligations and other – current	6	**28.7**	30.4
		404.3	256.0
Long-term debt	5	**302.6**	386.3
Risk management – long-term	11	**–**	3.1
Asset retirement obligations and other – long-term	6	**636.4**	633.3
		1,343.3	1,278.7
Commitments and contingencies	16		
Shareholders' equity			
Share capital	7	**2,260.5**	2,251.9
Accumulated deficit		**(16.0)**	(15.5)
Reserves	8	**507.7**	370.0
		2,752.2	2,606.4
		4,095.5	3,885.1

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

($ millions, except as noted)

Three months ended March 31	Note	2022	2021
Petroleum and natural gas sales		**499.6**	280.1
Royalties		**(76.2)**	(18.6)
Sales of commodities purchased		**48.8**	8.6
Revenue	12	**472.2**	270.1
Loss on risk management contracts	11	**(152.0)**	(81.2)
		320.2	188.9
Expenses			
Operating expense		**89.2**	84.3
Transportation and NGLs processing		**31.3**	27.9
Commodities purchased		**49.1**	8.8
General and administrative		**9.3**	8.7
Share-based compensation	9	**7.5**	6.0
Depletion and depreciation	3	**79.3**	142.6
Exploration and evaluation	2	**16.0**	20.9
Gain on sale of oil and gas assets	3	**(1.7)**	(41.4)
Interest and financing		**4.7**	16.7
Accretion of asset retirement obligations	6	**10.8**	10.8
Other	13	**0.8**	8.2
		296.3	293.5
Income (loss) before tax		**23.9**	(104.6)
Income tax expense (recovery)			
Deferred	10	**7.3**	(22.1)
		7.3	(22.1)
Net income (loss)		**16.6**	(82.5)
Other comprehensive income (loss), net of tax	8		
Items that will be reclassified to net income (loss)			
Change in fair value of cash flow hedges, net of tax		**6.9**	5.4
Reclassification to net income (loss), net of tax		**1.5**	1.6
Items that will not be reclassified to net income (loss)			
Change in fair value of securities, net of tax	4	**140.2**	66.0
Comprehensive income (loss)		**165.2**	(9.5)
Net income (loss) per common share ($/share)	7		
Basic		**0.12**	(0.62)
Diluted		**0.11**	(0.62)

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

($ millions, except as noted)

Three months ended March 31	Note	2022	2021
Operating activities			
Net income (loss)		16.6	(82.5)
Add (deduct):			
Items not involving cash	14	218.6	164.3
Asset retirement obligations settled	6	(14.8)	(8.4)
Change in non-cash working capital		(45.5)	7.9
Cash from operating activities		174.9	81.3
Financing activities			
Net repayment of revolving long-term debt	5	(84.3)	(134.4)
Lease liabilities – principal repayments	6	(2.0)	(1.9)
Convertible debentures issued, net of issue costs	5	–	34.9
Dividends	7	(28.2)	–
Common shares issued, net of issue costs	9	6.0	3.3
Cash used in financing activities		(108.5)	(98.1)
Investing activities			
Capital expenditures	2,3	(117.0)	(59.3)
Land and property acquisitions	2,3	(29.2)	–
Proceeds of disposition	3,4	51.3	79.6
Change in non-cash working capital		28.5	(0.8)
Cash from (used in) investing activities		(66.4)	19.5
Net increase (decrease)		–	2.7
Foreign exchange on cash and cash equivalents		(0.2)	0.1
Cash and cash equivalents, beginning of period		1.7	4.6
Cash and cash equivalents, end of period		1.5	7.4

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

Supplemental cash flow information 14

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

($ millions, except as noted)

Three months ended March 31	Note	2022		2021	
		Shares (millions)		*Shares (millions)*	
Share capital					
Balance, beginning of period		*139.2*	2,251.9	*132.3*	2,207.4
Issued on exercise of Paramount Options		*0.8*	7.9	*0.5*	4.2
Change in Common Shares for restricted share unit plan	9	–	0.7	–	0.6
Balance, end of period		*140.0*	2,260.5	*132.8*	2,212.2
Accumulated deficit					
Balance, beginning of period			(15.5)		(235.1)
Net income (loss)			16.6		(82.5)
Dividends			(28.2)		–
Reclassification of accumulated gain on securities	4		11.1		–
Balance, end of period			(16.0)		(317.6)
Equity component of convertible debentures					
Balance, beginning of period			–		–
Issued			–		1.7
Balance, end of period			–		1.7
Reserves	8				
Balance, beginning of period			370.0		65.5
Other comprehensive income			148.6		73.0
Contributed surplus			0.2		0.2
Reclassification of accumulated gain on securities	4		(11.1)		–
Balance, end of period			507.7		138.7
Total Shareholders' Equity			2,752.2		2,035.0

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. The Company also pursues longer-term strategic exploration and pre-development plays and holds a portfolio of investments in other entities. Paramount's principal properties are located in Alberta and British Columbia.

Paramount is the ultimate parent company of a consolidated group of companies and is incorporated and domiciled in Canada. The address of 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 Inc. and MGM Energy. The financial statements of Paramount's subsidiaries and partnerships are prepared for the same reporting periods as the parent in accordance with the Company's accounting policies. Intercompany balances and transactions have been eliminated.

These unaudited Interim Condensed Consolidated Financial Statements of the Company, as at and for the three months ended March 31, 2022 (the "Interim Financial Statements"), were authorized for issuance by the Audit Committee of Paramount's Board of Directors on May 3, 2022.

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, 2021 (the "Annual Financial Statements"). Certain comparative figures have been reclassified to conform to the current year's presentation.

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

2. Exploration and Evaluation

	Three months ended March 31, 2022	Twelve months ended December 31, 2021
Balance, beginning of period	**539.9**	612.1
Additions	**0.1**	1.3
Land acquisitions	**6.4**	8.9
Change in asset retirement provision	**1.0**	1.3
Transfers to property, plant and equipment	**–**	(14.0)
Expired lease costs	**(13.4)**	(29.8)
Dry hole	**–**	(1.1)
Dispositions	**–**	(38.8)
Balance, end of period	**534.0**	539.9

Exploration and Evaluation Expense

Three months ended March 31	2022	2021
Geological and geophysical expense	**2.6**	1.6
Expired lease costs	**13.4**	19.3
	16.0	20.9

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

At March 31, 2022, the Company assessed its exploration and evaluation assets for indicators of potential impairment or impairment reversal and none were identified.

3. Property, Plant and Equipment

Three months ended March 31, 2022	Petroleum and natural gas assets	Drilling rigs	Right-of-use assets	Other	Total
Cost					
Balance, beginning of period	4,317.6	167.1	16.1	50.7	4,551.5
Additions	116.6	0.9	0.1	0.8	118.4
Land and property acquisitions	24.4	–	–	–	24.4
Dispositions	(1.4)	–	–	–	(1.4)
Change in asset retirement provision	0.5	–	–	–	0.5
Cost, end of period	4,457.7	168.0	16.2	51.5	4,693.4
Accumulated depletion and depreciation					
Balance, beginning of period	(2,119.6)	(109.5)	(11.7)	(41.0)	(2,281.8)
Depletion and depreciation	(69.7)	(2.5)	(0.8)	(0.7)	(73.7)
Dispositions	0.6	–	–	–	0.6
Accumulated depletion and depreciation	(2,188.7)	(112.0)	(12.5)	(41.7)	(2,354.9)
Net book value, December 31, 2021	2,198.0	57.6	4.4	9.7	2,269.7
Net book value, March 31, 2022	2,269.0	56.0	3.7	9.8	2,338.5

Effective January 1, 2022, Northern cash-generating unit ("CGU") petroleum and natural gas assets were combined with the Central Alberta CGU to form the Central Alberta and Other CGU.

In the first quarter of 2021, the Company sold certain non-core properties in the Kaybob and Central Alberta and Other CGUs for gross cash proceeds of approximately $80 million. A gain of $41.4 million was recognized on these sales.

Depletion and Depreciation

Three months ended March 31	2022	2021
Depletion and depreciation	72.6	73.1
Change in asset retirement obligations	11.5	71.2
Alberta site rehabilitation program funding	(4.8)	(1.7)
	79.3	142.6

At March 31, 2022, the Company assessed its property, plant and equipment assets for indicators of potential impairment and none were identified.

For the three months ended March 31, 2022, the Company recorded a charge of $11.5 million (March 31, 2021 – $71.2 million) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment. In the first quarter of 2022, the changes resulted from revisions to the estimated costs. The changes in 2021 were primarily due to revisions in the credit-adjusted risk-free rate used to discount obligations.

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

4. Investments in Securities

As at	March 31, 2022	December 31, 2021
Level one fair value hierarchy securities ("Level One Securities")	402.8	300.2
Level three fair value hierarchy securities ("Level Three Securities")	76.4	71.9
	479.2	372.1

Paramount holds investments in a number of publicly-traded and private corporations as part of its portfolio of investments. Investments that are categorized as Level One Securities are carried at their period-end trading prices. Estimates of fair values for investments that are categorized as Level Three Securities are based on valuation techniques that incorporate unobservable inputs. The valuation techniques utilize market-based metrics of comparable companies and transactions, indicators of value based on equity transactions of the entities and other indicators of value including financial and operating results of the entities. Fair value estimates of Level Three Securities are updated at each balance sheet date to confirm whether the carrying value of the investment continues to fall within a range of possible fair values indicated by such techniques.

For the three months ended March 31, 2022, the Company recorded $158.1 million, before tax, to other comprehensive income ("OCI") as a result of changes in the fair value estimates of its investments in securities.

Paramount sold a portion of its Level One Securities in the first quarter of 2022 for cash proceeds of $51.0 million, resulting in $11.1 million of accumulated gains, net of tax, being reclassified from reserves to accumulated deficit.

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

	Three months ended March 31, 2022	Twelve months ended December 31, 2021
Investments in securities, beginning of period	372.1	59.5
Changes in fair value of Level One Securities	153.6	256.0
Changes in fair value of Level Three Securities	4.5	60.8
Acquired	–	1.0
Proceeds of dispositions	(51.0)	(5.2)
Investments in securities, end of period	479.2	372.1

5. Long-Term Debt

As at	March 31, 2022	December 31, 2021
Paramount Facility (1)	302.6	386.3

(1) Presented net of $2.4 million in unamortized transaction costs (December 31, 2021 - $2.8 million).

Paramount Facility

Paramount was in compliance with the financial covenants under its financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility") at March 31, 2022.

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling $2.3 million at March 31, 2022 that reduce the amount available to be drawn on the facility.

In May 2022, the Company increased the capacity and extended the maturity date of the Paramount Facility.

The Paramount Facility has a credit limit of $1.0 billion, which can be increased by up to $250 million at Paramount's request pursuant to an accordion feature in the facility, subject to incremental lender commitments. The maturity date of the Paramount Facility is May 3, 2026.

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

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

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

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

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

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

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

Unsecured Letter of Credit Facility

The Company has a $70 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank. Paramount's obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada ("EDC"). The PSG is valid to June 30, 2022 and may be extended from time-to-time with the agreement of EDC. At March 31, 2022, $26.9 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2021 – $38.7 million).

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

6. Asset Retirement Obligations and Other

As at March 31, 2022	Current	Long-term	Total
Asset retirement obligations	19.4	635.7	655.1
Lease liabilities	9.3	0.7	10.0
Asset retirement obligations and other	**28.7**	**636.4**	**665.1**

As at December 31, 2021	Current	Long-term	Total
Asset retirement obligations	20.4	630.7	651.1
Lease liabilities	10.0	2.6	12.6
Asset retirement obligations and other	**30.4**	**633.3**	**663.7**

Asset Retirement Obligations

	Three months ended March 31, 2022	Twelve months ended December 31, 2021
Asset retirement obligations, beginning of period	651.1	419.5
Additions	0.6	1.3
Change in estimates	12.4	23.8
Change in discount rate	–	206.4
Obligations settled – cash	(14.8)	(25.4)
Obligations settled – funding under Alberta site rehabilitation program	(4.8)	(9.7)
Dispositions	(0.2)	(7.4)
Accretion expense	10.8	42.6
Asset retirement obligations, end of period	**655.1**	651.1

As at March 31, 2022, estimated undiscounted, uninflated asset retirement obligations were $1,313.9 million (December 31, 2021 – $1,318.7 million). Asset retirement obligations have been determined using a credit-adjusted risk-free discount rate of 7.0 percent (December 31, 2021 – 7.0 percent) and an inflation rate of 2.0 percent (December 31, 2021 – 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. For the three months ended March 31, 2022, total cash payments made in respect of these lease liabilities, net of sublease arrangements, were $2.1 million, (March 31, 2021 – $2.1 million) of which $0.1 million (March 31, 2021 – $0.2 million) was recognized in interest and financing expense.

For the three months ended March 31, 2022, expenses related to arrangements containing variable operating costs, short-term and low value leases which have not been included in the lease liability were approximately $0.6 million (March 31, 2021 – $0.6 million).

As at March 31, 2022, $2.2 million (December 31, 2021 – $2.7 million) was receivable by the Company in respect of sublease arrangements for Paramount's office space, of which $2.1 million (December 31, 2021 – $2.2 million) was classified as current and $nil (December 31, 2021 – $0.5 million) was classified as non-current. For the three months ended March 31, 2022, $0.6 million (March 31, 2021 – $0.6 million) was received in respect of office sublease arrangements, of which $nil (March 31, 2021 – $0.1 million) was recognized in interest revenue.

7. Share Capital

As at March 31, 2022, 140.0 million (December 31, 2021 – 139.2 million) class A common shares of Paramount ("Common Shares") were outstanding, net of 1.5 million (December 31, 2021 – 1.5 million) Common Shares held in trust under the Company's restricted share unit plan.

Dividends declared for the three months ended March 31, 2022 totaled $28.2 million or $0.20 per Common Share. Subsequent to March 31, 2022, the Company paid a regular monthly dividend of $11.3 million, or $0.08 per Common Share.

In June 2021, Paramount implemented a normal course issuer bid (the "NCIB") under which the Company may purchase up to 7.3 million Common Shares for cancellation. The NCIB will terminate on the earlier of June 29, 2022 and the date on which the maximum number of Common Shares that can be acquired pursuant to the NCIB are purchased. Purchases of Common Shares under the NCIB will be effected through the facilities of the Toronto Stock Exchange or alternative Canadian trading systems at the market price at the time of purchase. The Company has repurchased and cancelled 197,500 Common Shares at a total cost of $2.7 million under the NCIB. No shares were purchased under the NCIB during the three months ended March 31, 2022.

Weighted Average Common Shares

Three months ended March 31	2022		2021	
	Wtd. Avg. Shares (millions)	**Net income**	*Wtd. Avg. Shares (millions)*	Net loss
Net income (loss) – basic	***139.5***	**16.6**	*132.5*	(82.5)
Dilutive effect of Convertible Debentures	**–**	**–**	–	–
Dilutive effect of Paramount Options	***6.3***	**–**	–	–
Net income (loss) – diluted	***145.8***	**16.6**	*132.5*	(82.5)

Outstanding options to acquire Common Shares ("Paramount Options") that can be exchanged for Common Shares are potentially dilutive and are included in Paramount's diluted per share calculations when they are dilutive to net income per share. Convertible debentures that were outstanding in 2021 were also potentially dilutive and were included in Paramount's diluted per share calculations in 2021 when they were dilutive to net income per share. All $35.0 million of the Company's senior unsecured convertible debentures ("Convertible Debentures") were converted into Common Shares in the fourth quarter of 2021, which resulted in the issuance of 5.2 million Common Shares.

For the three months ended March 31, 2022, 0.1 million Paramount Options were anti-dilutive (March 31, 2021 – 9.2 million Paramount Options and 5.2 million Common Shares that were issuable upon conversion of the Convertible Debentures were anti-dilutive).

8. Reserves

Three months ended March 31, 2022	Unrealized gains (losses) on cash flow hedges	Unrealized gains (losses) on securities	Contributed surplus	Total reserves
Balance, beginning of period	(5.3)	204.5	170.8	370.0
Other comprehensive income, before tax	10.9	158.1	–	169.0
Deferred tax	(2.5)	(17.9)	–	(20.4)
Reclassification of accumulated gain on securities, net of tax (see Note 4)	–	(11.1)	–	(11.1)
Share-based compensation	–	–	2.0	2.0
Paramount Options exercised	–	–	(1.8)	(1.8)
Balance, end of period	**3.1**	**333.6**	**171.0**	**507.7**

9. Share-Based Compensation

Paramount Options

	Three months ended March 31, 2022		Twelve months ended December 31, 2021	
	Paramount Options (millions)	Weighted average exercise price ($/share)	*Paramount Options (millions)*	Weighted average exercise price ($/share)
Balance, beginning of period	*11.0*	9.55	*9.7*	6.91
Granted	*0.1*	25.62	*3.2*	16.31
Exercised [1]	*(0.8)*	8.06	*(1.5)*	7.03
Cancelled or forfeited	–	–	*(0.3)*	8.49
Expired	–	–	*(0.1)*	15.97
Balance, end of period	*10.3*	9.72	*11.0*	9.55
Options exercisable, end of period	*2.0*	9.67	*2.7*	9.23

(1) For Paramount Options exercised during the three months ended March 31, 2022, the weighted average market price of Common Shares on the dates exercised was $28.30 per share (twelve months ended December 31, 2021 - $17.05 per share).

Restricted Share Unit Plan – Shares Held in Trust

	Three months ended March 31, 2022		Twelve months ended December 31, 2021	
	Shares (millions)		*Shares (millions)*	
Balance, beginning of period	*1.5*	3.5	*1.9*	1.5
Shares purchased	–	–	*1.1*	10.8
Change in vested and unvested shares	–	(0.7)	*(1.5)*	(8.8)
Balance, end of period	*1.5*	2.8	*1.5*	3.5

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

10. Income Tax

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

Three months ended March 31	2022	2021
Income (loss) before tax	23.9	(104.6)
Effective Canadian statutory income tax rate	23.0%	23.1%
Expected income tax expense (recovery)	5.5	(24.2)
Effect on income taxes of:		
Change in statutory and other rates	1.1	1.1
Share-based compensation	0.5	0.3
Change in unrecognized deferred income tax asset	0.3	(1.0)
Non-deductible items and other	(0.1)	1.7
Income tax expense (recovery)	7.3	(22.1)

11. Financial Instruments and Risk Management

Financial Instruments

Financial instruments at March 31, 2022 consist of accounts receivable, risk management assets and liabilities, investments in securities, accounts payable and the Paramount Facility. The carrying values of these financial instruments approximate their fair values.

Risk Management

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

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

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

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

Three months ended March 31, 2022	Financial commodity contracts	Foreign currency exchange contracts	Interest rate swaps	Electricity swaps	Total
Fair value of asset (liability), December 31, 2021	5.4	0.4	(9.6)	0.7	(3.1)
Changes in fair value – profit or loss [1]	(153.1)	1.1	0.6	–	(151.4)
Changes in fair value – OCI	–	–	9.1	0.3	9.4
Risk management contract settlements paid (received) [2]	49.8	(0.1)	2.2	–	51.9
Fair value of asset (liability), March 31, 2022	(97.9)	1.4	2.3	1.0	(93.2)
Risk management asset – current	–	1.4	–	0.4	1.8
Risk management asset – long-term	–	–	3.7	0.6	4.3
Risk management asset, March 31, 2022	–	1.4	3.7	1.0	6.1
Risk management liability – current	(97.9)	–	(1.4)	–	(99.3)
Risk management liability, March 31, 2022	(97.9)	–	(1.4)	–	(99.3)

(1) Changes in fair value of ($152.0) million related to financial commodity and foreign currency exchange contracts are recorded as loss on risk management contracts. Changes in fair value of $0.6 million related to hedge ineffectiveness on interest rate swaps are recorded in interest and financing expense.
(2) Payments on risk management contract settlements related to financial commodity and foreign currency exchange contracts totaled $49.7 million. Risk management contract settlements relating to interest rate swap and electricity swap contracts, where hedge accounting is applied, are recorded in interest and financing and operating expense, respectively.

The Company had the following risk management contracts as at March 31, 2022:

Instruments	Aggregate amount / notional	Average price or rate	Remaining term
Financial Commodity Contracts [1]			
Oil – NYMEX WTI Swaps (Sale)	3,500 Bbl/d	US$75.79/Bbl	April 2022 – December 2022
Oil – NYMEX WTI Swaps (Sale)	3,500 Bbl/d	CDN$91.38/Bbl	April 2022 – December 2022
Oil – NYMEX WTI Collars	7,000 Bbl/d	CDN$82.50/Bbl (Floor) CDN$100.47/Bbl (Ceiling)	April 2022 – December 2022
Gas – NYMEX Swaps (Sale)	30,000 MMBtu/d	US$4.62/MMBtu	April 2022 – June 2022
Gas – NYMEX Swaps (Sale)	30,000 MMBtu/d	US$4.67/MMBtu	July 2022 – September 2022
Gas – NYMEX Swaps (Sale)	10,000 MMBtu/d	US$4.91/MMBtu	October 2022
Foreign Currency Exchange Contracts			
Forwards	US$5 million / month	1.27 C$ / US$1.00	April 2022 – December 2022
Collars	US$5 million / month	1.25 C$ / US$1.00 (Floor) 1.30 C$ / US$1.00 (Ceiling)	April 2022 – November 2022
Interest Rate Contracts [2]			
Swaps	$250 million	2.3%	April 2022 – January 2023
Swaps	$250 million	2.4%	April 2022 – January 2026
Electricity Contracts [3]			
Swaps	120 MWh/d [4]	$62.50/MWh	January 2023 – December 2023
Swaps	120 MWh/d [4]	$53.25/MWh	January 2024 – December 2024

(1) "WTI" means West Texas Intermediate and "NYMEX" means New York Mercantile Exchange.
(2) Reference interest rate: Canadian Dollar Offered Rate.
(3) Reference electricity rate: Floating hourly rate established by the Alberta Electric System Operator ("AESO Pool Price").
(4) "MWh" means megawatt-hour.

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

The Company has classified its floating-to-fixed interest and electricity swaps as cash flow hedges and applied hedge accounting. At March 31, 2022, $250 million (December 31, 2021 – $150 million) of the $500 million floating-to-fixed interest rate swaps were de-designated as cash flow hedges due to declines in borrowings under the Paramount Facility, resulting in $0.3 million (December 31, 2021 – $1.9 million) of unrealized losses being reclassified from other comprehensive income to interest and financing expense. There were no other changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified on the floating-to-fixed electricity swaps.

Subsequent to March 31, 2022, the Company entered into the following foreign currency exchange contracts:

	Aggregate amount	Average rate	Remaining term
Foreign currency exchange forwards	US$10 million / month	1.2813 C$ / US$1.00	May 2022 – December 2022
Foreign currency exchange forwards	US$5 million / month	1.2850 C$ / US$1.00	May 2022 – March 2023
Foreign currency exchange swaps	US$10 million / month	1.2888 C$ / US$1.00	May 2022 – March 2023
Foreign currency exchange forwards	US$5 million / month	1.2900 C$ / US$1.00	January 2023 – March 2023

12. Revenue By Product

Three months ended March 31	2022	2021
Natural gas	127.1	77.3
Condensate and oil	331.9	185.9
Other natural gas liquids	29.3	15.0
Royalty and other	11.3	1.9
Royalties	(76.2)	(18.6)
Sales of commodities purchased	48.8	8.6
	472.2	270.1

Royalty and other revenue for the three months ended March 31, 2022 includes $10.6 million in respect of the Company's business interruption insurance claim arising from outages that occurred at a third-party natural gas processing facility in 2020 and 2021.

Paramount purchases commodities from third parties from time-to-time to fulfill sales commitments and for its blending operations. These transactions are presented as separate revenue and expense items in the statements of comprehensive income (loss).

13. Other

Three months ended March 31	2022	2021
Provisions	–	7.5
Other	0.8	0.7
	0.8	8.2

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

14. Consolidated Statement of Cash Flows - Selected Information

Items Not Involving Cash

Three months ended March 31	2022	2021
Risk management contracts	102.3	48.5
Share-based compensation	7.5	6.0
Depletion and depreciation	79.3	142.6
Exploration and evaluation	13.4	19.1
Gain on sale of oil and gas assets	(1.7)	(41.4)
Accretion of asset retirement obligations	10.8	10.8
Deferred income tax	7.3	(22.1)
Other	(0.3)	0.8
	218.6	164.3

Supplemental Cash Flow Information

Three months ended March 31	2022	2021
Interest paid	4.2	13.8

Components of Cash and Cash Equivalents

As at	March 31, 2022	December 31, 2021
Cash	1.5	1.7
Cash equivalents	–	–
	1.5	1.7

15. Capital Structure

Paramount's capital structure consists of shareholders' equity plus net debt.

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

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

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

iii. maximize shareholder returns considering the risk environment.

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

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

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

Net Debt

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

The calculation of net debt is as follows:

As at	March 31, 2022	December 31, 2021
Cash and cash equivalents	(1.5)	(1.7)
Accounts receivable (1)	(207.8)	(139.7)
Prepaid expenses and other	(8.4)	(7.3)
Accounts payable and accrued liabilities	276.3	219.1
Long-term debt	302.6	386.3
Net Debt	361.2	456.7

(1) Accounts receivable excludes amounts relating to subleases (March 31, 2022 – $2.2 million, December 31, 2021 – $2.2 million).

Adjusted Funds Flow

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

The calculation of adjusted funds flow is as follows:

Three months ended March 31	2022	2021
Cash from operating activities	174.9	81.3
Change in non-cash working capital	45.5	(7.9)
Geological and geophysical expense	2.6	1.6
Asset retirement obligations settled	14.8	8.4
Closure costs	–	–
Provisions	–	7.5
Settlements	–	–
Transaction and reorganization costs	–	–
Adjusted funds flow	237.8	90.9

Net Debt to Adjusted Funds Flow Ratio

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

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

	March 31, 2022	December 31, 2021
Net debt	361.2	456.7
Adjusted funds flow, trailing four quarters	646.8	499.8
Net debt to adjusted funds flow ratio	0.6x	0.9x

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

Free Cash Flow

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

The calculation of free cash flow is as follows:

Three months ended March 31	2022	2021
Cash from operating activities	**174.9**	81.3
Change in non-cash working capital	**45.5**	(7.9)
Geological and geophysical expense	**2.6**	1.6
Asset retirement obligations settled	**14.8**	8.4
Closure costs	**–**	–
Provisions	**–**	7.5
Settlements	**–**	–
Transaction and reorganization costs	**–**	–
Adjusted funds flow	**237.8**	90.9
Capital expenditures	**(117.0)**	(59.3)
Geological and geophysical expense	**(2.6)**	(1.6)
Asset retirement obligations settled	**(14.8)**	(8.4)
Free cash flow	**103.4**	21.6

16. Commitments and Contingencies

Commitments – Physical Sales Contracts

The Company had the following fixed-price and basis differential physical contracts at March 31, 2022:

	Volume	Location	Average fixed price	Remaining term
Natural gas	80,000 GJ/d	AECO	CDN$3.78/GJ	April 2022 – October 2022
Natural gas	20,000 MMBtu/d	Dawn	US$4.03/MMBtu	April 2022 – October 2022
Peace sweet crude oil	5,186 Bbl/d	Peace (1)	WTI – US$2.15/Bbl	April 2022 – June 2022

(1) Peace refers to Peace Pipeline at Edmonton

Contingencies

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

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

CORPORATE INFORMATION

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

P. R. Kinvig
Chief Financial Officer

B. K. Lee
Executive Vice President, Finance

D. B. Reid
Executive Vice President, Operations

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

J. B. Williams
Executive Vice President, Kaybob Region

DIRECTORS

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Calgary, Alberta

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W. A. Gobert (3) (4) (5)
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D. Jungé C.F.A. (2) (4)
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S. L. Riddell Rose
President and Chief Executive Officer
Perpetual Energy Inc.
Rubellite Energy Inc.
Calgary, Alberta

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

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The Toronto Stock Exchange
(“POU”)