Third Quarter 2023 Results

Paramount Resources Ltd. Announces Third Quarter 2023 Results, Expansion of Montney Acreage, 2024 Budget and Five-Year Outlook

Calgary, Alberta – November 2, 2023

Paramount Resources Ltd. ("Paramount" or the "Company") (TSX:POU) is pleased to announce its third quarter 2023 financial and operating results, which included record production, and an expansion of its Montney acreage in the Grande Prairie Region. The Company is also pleased to announce its 2024 capital expenditure budget and guidance and five-year outlook.

HIGHLIGHTS

- Third quarter sales volumes averaged 98,644 Boe/d (45% liquids), a quarterly record. (1)
  - Grande Prairie Region sales volumes averaged a record 74,381 Boe/d (50% liquids) despite approximately 5,400 Boe/d in unplanned outages and curtailments associated with third-party midstream facilities.
  - Kaybob Region sales volumes increased to 17,027 Boe/d (32% liquids) due to the recovery from the Alberta wildfires. The Company successfully completed the planned turnaround at its Kaybob 8-9 natural gas processing plant in September, which shut-in the majority of Kaybob Region production for approximately three weeks.
  - Central Alberta and Other Region sales volumes averaged 7,236 Boe/d (30% liquids).
- Paramount has expanded its core Montney land position in the Grande Prairie Region through the addition of 10 net sections of new land at Karr and Wapiti. The Company has also disclosed the location of a further 10 net sections at Wapiti that were previously held confidentially. The Company maintains an active exploration program and is pleased with the progress made to date in capturing additional resource.
- Cash from operating activities was $208 million ($1.45 per basic share) in the third quarter. Adjusted funds flow was $234 million ($1.64 per basic share). (2)
- Free cash flow was $19 million ($0.13 per basic share) in the third quarter. (2)

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(1) In this press release, "liquids" refers to NGLs (including condensate) and oil combined, "natural gas" refers to shale gas and conventional natural gas combined, "condensate and oil" refers to condensate, light and medium crude oil, tight oil and heavy crude oil combined 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, tight oil and heavy crude oil. See also "Oil and Gas Measures and Definitions" in the Advisories section.

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

- Third quarter capital expenditures totaled $199 million. Key activities included:
  - Grande Prairie Region (Montney) - nine (9.0 net) wells drilled, five (5.0 net) wells completed and eight (8.0 net) wells brought on production;
  - Kaybob Region (Duvernay) - two (2.0 net) wells drilled and three (3.0 net) wells brought on production; and
  - Central Alberta and Other Region (Duvernay) - three (3.0 net) wells drilled in Willesden Green and advancement of the liquids handling expansion at Paramount’s Leafland natural gas processing plant.
- Initial results at two of the Company’s most recent pads brought on production, the Karr 7-33S five-well Montney pad and the Kaybob North 4-13S three-well Duvernay pad, have been exceptional, significantly exceeding type curve.
- Asset retirement obligations settled in the third quarter totaled $14 million. Activities in the quarter included the abandonment of seven wells and reclamation of seven well sites.
- At September 30, 2023, net debt was $44 million and Paramount’s $1.0 billion revolving credit facility was undrawn. (1)
- The carrying value of the Company's investments in securities at September 30, 2023 was $578 million.
- Subsequent to September 30, 2023, the Company monetized certain WTI liquids hedges that were outstanding at quarter end for cash consideration of approximately $13 million, which will be included in fourth quarter 2023 adjusted funds flow. Paramount also hedged 10,000 Bbl/d of 2024 liquids sales volumes at an average WTI price of CAD$109.50/Bbl.

UPDATED 2023 GUIDANCE

Third quarter sales volumes were in-line with expectations. Paramount expects average fourth quarter 2023 sales volumes to be between 100,000 Boe/d and 103,000 Boe/d (47% liquids), resulting in average second half 2023 and annual 2023 sales volumes in the range of previous guidance. Fourth quarter 2023 sales volumes guidance includes the impact of the previously disclosed 11 day planned outage of the third-party Wapiti natural gas processing plant (the "Wapiti Plant") in October that was rescheduled from earlier in the year due to the Alberta wildfires.

Third quarter capital expenditures were also in-line with expectations. Paramount is narrowing the range of its 2023 capital expenditure guidance to $725 million to $750 million (~50% to growth) from previous guidance of $700 million to $750 million. The narrowing of the range reflects year-to-date spending and anticipated costs for remaining activities to be completed during the fourth quarter.

The Company is updating its forecast of 2023 free cash flow to approximately $165 million from $185 million to incorporate third quarter results and the slightly higher mid-point of forecast capital expenditures. (2)

(1) Net (cash) debt is a capital management measure used by Paramount. This capital management measure has been expressed as net debt in this instance for simplicity as the amount referenced is a positive number. Refer to the "Specified Financial Measures" section for more information on this measure.

(2) Free cash flow is a capital management measure used by Paramount. Refer to "Advisories - Specified Financial Measures" for more information on this measure. The stated free cash flow forecast is based on the following assumptions for 2023: (i) the midpoint of stated capital expenditures and sales volumes, (ii) $55 million in abandonment and reclamation costs, (iii) $7 million in geological and geophysical expenses, (iv) realized pricing of $52.60/Boe (US$77.99/Bbl WTI, US$3.34/MMBtu NYMEX, $2.72/GJ AECO), (v) a $US/$CAD exchange rate of $0.746, (vi) royalties of $7.60/Boe, (vii) operating costs of $12.65/Boe and (vii) transportation and NGLs processing costs of $3.90/Boe. Assumed pricing of US$80.00/Bbl WTI, US$3.50/MMBtu NYMEX and $3.08/GJ AECO and an assumed $US/$CAD exchange rate of $0.755 for the fourth quarter of 2023 is unchanged from previous guidance, but the stated amounts have been adjusted to incorporate actual results for the first three quarters of 2023.

2024 BUDGET AND GUIDANCE

Paramount is budgeting 2024 capital expenditures of between $830 million and $890 million, $60 million at midpoint more than the previous high range of preliminary guidance. This increase is largely related to (i) the addition of a five-well Willesden Green Duvernay pad to be drilled in the fourth quarter of 2024, (ii) the acceleration of the drilling of a four-well Kaybob North Duvernay pad into the fourth quarter of 2024, and (iii) slightly higher budgeted overall drilling, completion, equipping and tie-in costs due to persistent inflationary pressures.

The Company 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 2024 capital budget at midpoint is broken down as follows:

- $415 million (~50%) to sustaining capital and maintenance activities;
- $45 million (~5%) to growth capital associated with production benefits in 2024; and
- $400 million (~45%) to growth capital associated with production benefits largely in 2025 and beyond, including approximately $150 million related to the construction of the Company's new processing facility in Willesden Green.

The breakdown by region at midpoint is as follows:

- Grande Prairie Region − $425 million;
- Kaybob Region − $185 million; and
- Central Alberta and Other Region − $250 million.

The breakdown by category at midpoint is as follows:

- Drilling, completion, equipping and tie-ins − $575 million;
- Facilities and gathering − $280 million; and
- Corporate and other − $5 million.

The majority of the facilities and gathering capital budgeted for 2024 relates to the first phase of the Company's new processing facility in Willesden Green. This first phase will provide an estimated 50 MMcf/d of raw gas and 10,000 Bbl/d of raw liquids handling capacity upon completion to support Paramount's Willesden Green Duvernay development, with start-up expected in the fourth quarter of 2025.

The Company has budgeted $40 million for abandonment and reclamation activities in 2024.

Average sales volumes in 2024 are expected to be between 108,000 Boe/d and 116,000 Boe/d (47% liquids), 3,000 Boe/d lower at midpoint compared to the previous preliminary guidance primarily due to (i) an increase in planned downtime by the third-party operator of the Wapiti Plant, (ii) a reduction in Paramount's assumption for on-time at the Wapiti Plant, (iii) higher than previously forecast gas lift requirements in the Grande Prairie Region, and (iv) a decision to delay the onstream timing of the second four-well pad in Willesden Green.

First half 2024 average sales volumes are expected to be between 101,000 Boe/d and 111,000 Boe/d (46% liquids), with second quarter sales volumes being impacted by a 21 day planned turnaround at the Wapiti Plant. Second half 2024 average sales volumes are expected to be between 115,000 Boe/d and 121,000 Boe/d (47% liquids).

Paramount is updating its forecast of 2024 free cash flow to approximately $350 million from $445 million to reflect updated capital expenditures, sales volumes, commodity prices and other assumptions.

	Preliminary 2024 Guidance	2024 Budget
Annual average sales volumes (Boe/d)	110,000 to 120,000 (48% liquids)	108,000 to 116,000 (47% liquids)
First half average sales volumes (Boe/d)	—	101,000 to 111,000 (46% liquids)
Second half average sales volumes (Boe/d)	—	115,000 to 121,000 (47% liquids)
Capital expenditures	$700 to $800 million (~50% to growth)	$830 to $890 million (~50% to growth)
Abandonment and reclamation expenditures	$40 million	No change
Free cash flow (1)	$445 million	$350 million

The Company's midpoint 2024 sustaining and maintenance capital program and regular monthly dividend would remain fully funded down to an average WTI price in 2024 of about US$55/Bbl. (2) The Company's total midpoint 2024 capital program and regular monthly dividend would remain fully funded down to an average WTI price in 2024 of about US$71/Bbl. (2)

FIVE-YEAR OUTLOOK

Paramount is providing its five-year outlook for the period from 2024 through to the end of 2028.(3) The Company anticipates midpoint cumulative free cash flow of approximately $2.8 billion (approximately $19.40 per basic share(4)) over the period. Paramount anticipates midpoint annual capital expenditures to range between approximately $850 million and $1.0 billion through the period 2024 to 2028, with sales volumes increasing to between 140,000 Boe/d and 155,000 Boe/d in 2028, representing a compound annual production growth rate of 8% to 10% between 2023 and 2028. With estimated tax pools of almost $4 billion at September 30, 2023, the majority of which are immediately deductible, Paramount does not forecast cash tax in its five-year outlook until 2027.

NOVEMBER DIVIDEND

Paramount's Board of Directors has declared a cash dividend of $0.125 per Common Share that will be payable on November 30, 2023 to shareholders of record on November 15, 2023. The dividend will be designated as an "eligible dividend" for Canadian income tax purposes.

(1) Free cash flow is a capital management measure used by Paramount. Refer to "Advisories - Specified Financial Measures" for more information on this measure. The stated free cash flow forecast is based on the following assumptions for 2024: (i) the midpoint of stated capital expenditures and sales volumes, (ii) $40 million in abandonment and reclamation costs, (iii) $7 million in geological and geophysical expenses, (iv) realized pricing of $56.40/Boe (US$80/Bbl WTI, US$3.50/MMBtu NYMEX, $2.84/GJ AECO), (v) a $US/$CAD exchange rate of $0.735, (vi) royalties of $8.80/Boe, (vii) operating costs of $12.05/Boe and (vii) transportation and NGLs processing costs of $3.70/Boe. For comparative purposes, the preliminary 2024 free cash flow forecast utilized the following differing assumptions as to the following factors: (i) realized pricing of $53.60/Boe (US$75.00/Bbl WTI, US$3.50/MMBtu NYMEX, $3.08/GJ AECO), (ii) a $US/$CAD exchange rate of $0.755, (iii) royalties of $8.10/Boe, (iv) operating costs of $11.20/Boe and (vi) transportation and NGLs processing costs of $3.60/Boe.

(2) Assuming no changes to the other forecast assumptions for 2024.

(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 midpoint annual capital expenditures; (ii) compound annual production growth in the stated range; (iii) approximately $40 million in 2024 and thereafter approximately $45 million in average annual abandonment and reclamation costs, (iv) approximately $7 million in annual geological and geophysical expenses, (v) 2024 realized pricing of $56.40/Boe (US$80.00/Bbl WTI, US$3.50/MMBtu NYMEX, $2.84/GJ AECO) and thereafter commodity prices of US$75.00/Bbl WTI, US$4.00/MMBtu NYMEX and $3.55/GJ AECO, (vi) a 2024 $US/$CAD exchange rate of $0.735 and thereafter a $US/$CAD exchange rate of $0.74 and (vii) internal management estimates of future royalties, operating costs, transportation and NGLs processing costs and, beginning in 2027, cash taxes.

(4) Based on 144.3 million outstanding Common Shares as at October 31, 2023.

REVIEW OF OPERATIONS

GRANDE PRAIRIE REGION

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

	Q3 2023		Q2 2023		% Change
Sales Volumes					
Natural gas (MMcf/d)	**223.2**		196.4		*14*
Condensate and oil (Bbl/d)	**32,365**		30,205		*7*
Other NGLs (Bbl/d)	**4,815**		4,012		*20*
Total (Boe/d)	**74,381**		66,950		*11*
% liquids	***50%***		*51%*		
Netback (1)	($ millions)	*($/Boe)*	($ millions)	*($/Boe)*	*Change in $ millions (%)*
Natural gas revenue (2)	**55.6**	**2.71**	43.3	*2.42*	*28*
Condensate and oil revenue	**308.7**	**103.68**	260.5	*94.76*	*19*
Other NGLs revenue	**15.4**	**34.70**	11.7	*31.99*	*32*
Royalty income and other revenue	**–**	**–**	0.3	*–*	*NM*
Petroleum and natural gas sales	**379.7**	**55.48**	315.8	*51.83*	*20*
Royalties	**(64.7)**	**(9.45)**	(39.3)	*(6.45)*	*65*
Operating expense	**(72.7)**	**(10.62)**	(70.7)	*(11.61)*	*3*
Transportation and NGLs processing	**(25.6)**	**(3.75)**	(27.2)	*(4.47)*	*(6)*
	216.7	**31.66**	178.6	*29.30*	*21*

(1) "Netback" is a Non-GAAP financial measure. When presented on a $/Boe or $/Mcf basis, each of the components of Netback is a supplementary financial measure and Netback is a non-GAAP ratio. Refer to the "Specified Financial Measures" section for more information on these measures.
(2) Per unit natural gas revenue presented as $/Mcf.

NM means not meaningful

Sales volumes in the Grande Prairie Region averaged a record 74,381 Boe/d (50% liquids) in the third quarter compared to 66,950 Boe/d (51% liquids) in the second quarter of 2023. The quarter-over-quarter increase was primarily attributable to the recovery from the second quarter wildfire related outages and curtailments along with new well production from the three (3.0 net) well Wapiti 1-27 pad that came onstream in late-July and the five (5.0 net) well Karr 7-33S pad that came onstream in mid-September. A number of unplanned outages and curtailments at third-party operated midstream facilities negatively impacted third quarter sales volumes by approximately 5,400 Boe/d.

Development activities in the Grande Prairie Region in the third quarter included the drilling of nine (9.0 net) Montney wells and the completion of five (5.0 net) Montney wells.

At Karr, all five (5.0 net) wells on the 7-33S pad were brought on production late in the third quarter. Production results from these wells to date have significantly exceeded expectations, averaging gross 30-day peak production per well of 2,554 Boe/d (4.8 MMcf/d of shale gas and 1,749 Bbl/d of NGLs) with an average CGR of 362 Bbl/MMcf. [1]

At Wapiti, all three (3.0 net) wells on the 1-27 pad were brought on production in the third quarter. Production results from these wells are in-line with expectations, averaging gross 30-day peak production

(1) Production measured at the wellhead. Natural gas sales volumes were lower by approximately 10% and liquids sales volumes were lower by approximately 7% 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.

per well of 1,187 Boe/d (2.7 MMcf/d of shale gas and 730 Bbl/d of NGLs) with an average CGR of 266 Bbl/MMcf. [1] More recently, Paramount began flow testing the eight (8.0 net) well 8-15 pad at Wapiti. All eight wells are expected to be brought on production through permanent facilities in November. The Company recently finished drilling the three (3.0 net) well 6-36 pad at Karr and is close to concluding drilling operations on the eight (8.0 net) well 14-5 pad at Wapiti. Completion operations at the Karr 6-36 pad have commenced and all three wells are expected to be brought on production in the fourth quarter. Completion operations at the Wapiti 14-5 pad are anticipated to commence in mid-2024. Paramount plans to commence drilling at the four (4.0 net) well Karr 7-33N pad, four (4.0 net) well Karr 15-24S pad and seven (7.0 net) well Wapiti 2-18 pad in the fourth quarter of 2023.

Paramount has expanded its core Montney land position in the Grande Prairie Region through the addition of 10 net sections of new land at Karr and Wapiti. The Company has also disclosed the location of a further 10 net sections at Wapiti that were previously held confidentially. The Company maintains an active exploration program and is pleased with the progress made to date in capturing additional resource.

In 2024, the Company plans to drill 41 (41.0 net) wells and bring on production 36 (36.0 net) wells in the Grande Prairie Region, which is expected to result in annual average sales volumes of between 75,000 Boe/d and 82,000 Boe/d. Over the first half of 2024, Paramount plans to drill 19 (19.0 net) wells, complete 27 (27.0 net) wells and bring onstream eight (8.0 net) wells. In the second half of 2024, Paramount plans to drill 22 (22.0 net) wells, complete 9 (9.0 net) wells and bring onstream 28 (28.0 net) wells. These plans include the commencement of development activities in the western portion of the Wapiti field where a new compressor node is being installed and commissioned to accommodate the tie-in of a seven-well pad in the second half of 2024 as well as future well development in the area. This portion of the Wapiti field is proximal to the Montney lands previously held confidentially.

The third-party operator of the Wapiti Plant has notified Paramount of a planned increase in the frequency of maintenance outages, with the stated objective of reducing the frequency and severity of unplanned outages in the future. This includes two outages in 2024 (a 21 day full outage in the second quarter and an 8 day 50% curtailment in the fourth quarter). Paramount’s 5-year outlook now incorporates a lower on-time factor for the Wapiti Plant, the 2024 planned outages and 15 days of annual planned outages thereafter.

KAYBOB REGION

Kaybob Region sales volumes averaged 17,027 Boe/d (32% liquids) in the third quarter compared to 13,238 Boe/d (24% liquids) in the second quarter of 2023. Sales volumes were higher in the third quarter due to the recovery from the wildfire related outages, including the resumption of production from wells that remained shut-in at the end of the second quarter. Sales volumes in the third quarter also benefited from new well production from the three (3.0 net) well Kaybob North Duvernay 4-13S pad that was brought onstream in July. Third quarter sales volumes were impacted by the planned five-year turnaround at the Company's Kaybob 8-9 natural gas processing plant that lasted approximately three weeks.

Production from the three well 4-13S pad has been very strong, averaging gross 30-day peak production per well of 1,601 Boe/d (1.2 MMcf/d of shale gas and 1,403 Bbl/d of NGLs) with an average CGR of 1,177 Bbl/MMcf. [2] These results are among the best ever recorded for Duvernay wells in the area based on

(1) Production measured at the wellhead. Natural gas sales volumes were lower by approximately 9% and liquids sales volumes were 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.

(2) Production measured at the wellhead. Natural gas sales volumes were lower by approximately 16% and liquids sales volumes were lower by approximately 13% 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.

public data, confirming Paramount's decision to begin the active development of its extensive land base. The Company expects to grow Kaybob North Duvernay sales volumes from approximately 2,000 Boe/d in 2023 to as high as 14,000 Boe/d within its five-year outlook.

Development activities in the third quarter included the drilling of two wells on the Kaybob North Duvernay six (6.0 net) well 15-7N pad. Drilling of the remaining four wells is ongoing, with completion operations and tie-ins to commence in the fourth quarter of 2023. The Company continues to apply past learnings from the drilling of long reach lateral wells and has once again set a new company record with one of the wells on the 15-7N pad reaching approximately 8,100 meters of total measured depth with a lateral length of approximately 4,800 meters. All six wells are anticipated to be brought onstream in the first quarter of 2024.

Paramount expects annual average Kaybob Region sales volumes to exceed 20,000 Boe/d in 2024. The Company's 2024 development plans in the Kaybob North Duvernay area consist of the drilling of 11 (11.0 net) wells, the bringing on production of 11 (11.0 net) wells and the commencement of the drilling of a 4 (4.0 net) well pad that has been accelerated into the fourth quarter of 2024. Paramount also plans to further enhance its existing facility infrastructure in 2024 to support future Duvernay development, maximize field netbacks and enhance full cycle returns.

CENTRAL ALBERTA AND OTHER REGION

Central Alberta and Other Region sales volumes averaged 7,236 Boe/d (30% liquids) in the third quarter compared to 8,055 Boe/d (30% liquids) in the second quarter 2023.

The drilling of the four (4.0 net) Duvernay wells at the 4-7N pad in Willesden Green was recently concluded. Completion operations have commenced and first production is anticipated to occur in the first quarter of 2024 to coincide with the start-up of the new liquids handling expansion at Paramount's Leafland natural gas processing plant.

In 2024, the Company plans to grow annual average sales volumes in the Central Alberta and Other Region to over 10,000 Boe/d by bringing eight (8.0 net) Duvernay wells on production in the Willesden Green area. The drilling of an additional four (4.0 net) Duvernay wells off of the existing 4-7 pad is now anticipated to commence in the first quarter of 2024 and all four wells are expected to be brought on production in the second half of 2024. Paramount also plans to commence the drilling of an additional five (5.0 net) Duvernay wells at the 11-1S pad.

Construction of the Company's previously announced second natural gas processing facility at Willesden Green is set to commence in 2024, with start-up expected in the fourth quarter of 2025. The first phase of this new facility will provide an estimated 50 MMcf/d of raw gas and 10,000 Bbl/d of raw liquids handling capacity to support the Willesden Green Duvernay development. It is anticipated that the new facility will ultimately be capable of handling approximately 150 MMcf/d of raw gas and 30,000 Bbl/d of raw liquids, and be constructed in three phases of approximately 50 MMcf/d of raw gas handling and 10,000 Bbl/d of raw liquids handling each.

HEDGING

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

Instruments	Aggregate amount / notional	Average price or rate [(1)]	Remaining term
Oil			
NYMEX WTI Swaps (Sale)	10,000 Bbl/d	CAD$109.50/Bbl	January 2024 – December 2024
Sweet Crude Oil – Basis (Physical sale) [(2)]	3,078 Bbl/d	WTI – US$3.73/Bbl	October 2023 – December 2023
Natural Gas			
AECO – Basis (Physical Sale)	50,000 MMBtu/d	NYMEX – US$0.93/MMBtu	October 2023
Dawn – Basis (Physical Sale)	25,000 MMBtu/d	NYMEX – US$0.20/MMBtu	October 2023
Foreign Currency Exchange			
Swaps (sale)	$40MM/Month	1.3427 CAD$ / US$	October 2023 – December 2023
Swaps (sale)	$30MM/Month	1.3448 CAD$ / US$	January 2024 – December 2024

(1) Average price is calculated using a weighted average of notional volumes and prices. "NYMEX" refers to NYMEX pricing at Henry Hub.
(2) Sweet crude oil located at the Peace Pipeline at Edmonton.

ABOUT PARAMOUNT

Paramount is an independent, publicly traded, liquids-rich natural gas focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas, including longer-term strategic exploration and pre-development plays, and holds a portfolio of investments in other entities. The Company's principal properties are located in Alberta and British Columbia. Paramount's Common Shares are listed on the Toronto Stock Exchange under the symbol "POU".

Paramount's third quarter 2023 results, including Management's Discussion and Analysis and the Company's Consolidated Financial Statements, can be obtained on SEDAR+ at www.sedarplus.ca or on Paramount's website at www.paramountres.com/investors/financial-shareholder-reports.

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

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FINANCIAL AND OPERATING RESULTS [1]

($ millions, except as noted)	Q3 2023		Q2 2023		Q3 2022	
Net income		**87.2**		74.2		**221.9**
per share – basic ($/share)		***0.61***		*0.52*		***1.57***
per share – diluted ($/share)		***0.59***		*0.50*		***1.51***
Cash from operating activities		**207.6**		172.2		**248.9**
per share – basic ($/share)		***1.45***		*1.20*		***1.76***
per share – diluted ($/share)		***1.40***		*1.16*		***1.69***
Adjusted funds flow		**234.2**		178.7		**334.3**
per share – basic ($/share)		***1.64***		*1.25*		***2.37***
per share – diluted ($/share)		***1.58***		*1.21*		***2.27***
Free cash flow		**18.5**		30.5		**137.5**
per share – basic ($/share)		***0.13***		*0.21*		***0.97***
per share – diluted ($/share)		***0.12***		*0.21*		***0.93***
Total assets		**4,305.1**		4,106.6		**4,261.3**
Investments in securities		**577.5**		489.9		**451.3**
Long-term debt		**–**		–		**306.3**
Net (cash) debt		**44.4**		2.3		**347.0**
Common shares outstanding *(millions)* [2]		**143.4**		143.1		**141.2**
Sales volumes [3]						
Natural gas (MMcf/d)		**323.1**		290.2		**315.9**
Condensate and oil (Bbl/d)		**38,161**		34,230		**38,804**
Other NGLs (Bbl/d)		**6,627**		5,648		**6,144**
Total (Boe/d)		**98,644**		88,243		**97,601**
% liquids		***45%***		*45%*		***46%***
Grande Prairie Region (Boe/d)		**74,381**		66,950		**65,981**
Kaybob Region (Boe/d)		**17,027**		13,238		**24,021**
Central Alberta & Other Region (Boe/d)		**7,236**		8,055		**7,599**
Total (Boe/d)		**98,644**		88,243		**97,601**
Netback		*($/Boe)* [4]		*($/Boe)* [4]		*($/Boe)* [4]
Natural gas revenue	**79.3**	***2.67***	64.1	*2.43*	**185.7**	***6.39***
Condensate and oil revenue	**362.9**	***103.36***	294.1	*94.42*	**401.8**	***112.56***
Other NGLs revenue	**20.5**	***33.64***	15.9	*30.86*	**28.9**	***51.20***
Royalty income and other revenue	**1.1**	**–**	0.3	–	**2.5**	**—**
Petroleum and natural gas sales	**463.8**	***51.11***	374.4	*46.63*	**618.9**	***68.92***
Royalties	**(75.2)**	***(8.28)***	(41.2)	*(5.12)*	**(89.4)**	***(9.96)***
Operating expense	**(113.9)**	***(12.55)***	(104.6)	*(13.03)*	**(110.0)**	***(12.25)***
Transportation and NGLs processing	**(31.2)**	***(3.44)***	(33.6)	*(4.19)*	**(34.4)**	***(3.83)***
Sales of commodities purchased [5]	**42.1**	***4.64***	47.7	*5.94*	**77.9**	***8.67***
Commodities purchased [5]	**(39.2)**	***(4.32)***	(49.3)	*(6.15)*	**(76.4)**	***(8.51)***
Netback	**246.4**	***27.16***	193.4	*24.08*	**386.6**	***43.04***
Risk management contract settlements	**0.2**	***0.02***	(2.7)	*(0.33)*	**(44.4)**	***(4.94)***
Netback including risk management contract settlements	**246.6**	***27.18***	190.7	*23.75*	**342.2**	***38.10***
Capital expenditures						
Grande Prairie Region		**117.6**		66.0		**133.5**
Kaybob Region		**41.4**		45.5		**30.8**
Central Alberta & Other Region		**35.5**		17.1		**0.2**
Fox Drilling and Cavalier Energy		**4.9**		7.6		**10.8**
Corporate		**(0.5)**		4.0		**9.0**
Total		**198.9**		140.2		**184.3**
Asset retirement obligations settled		**14.0**		5.9		**10.2**

(1) Adjusted funds flow, free cash flow and net (cash) debt are capital management measures used by Paramount. Netback and netback including risk management contract settlements are non-GAAP financial measures. Netback and Netback including risk management contract settlements presented on a $/Boe or $/Mcf basis are non-GAAP ratios. Each measure, other than net income, that is presented on a per share, $/Mcf or $/Boe basis is a supplementary financial measure. Refer to the "Specified Financial Measures" section for more information on these measures.

(2) Common shares are presented net of shares held in trust under the Company's restricted share unit plan: Q3 2023: 0.4 million, Q2 2023: 0.4 million, Q3 2022: 0.8 million.

(3) Refer to the Product Type Information section of this document for a complete breakdown of sales volumes for applicable periods by specific product type.

(4) Natural gas revenue presented as $/Mcf.

(5) Sales of commodities purchased and commodities purchased are treated as corporate items and not allocated to individual regions or properties.

PRODUCT TYPE INFORMATION

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

	Total Company by Product Type		
	Q3 2023	Q2 2023	Q3 2022
Shale gas (MMcf/d)	276.7	246.0	253.8
Conventional natural gas (MMcf/d)	46.4	44.2	62.1
Natural gas (MMcf/d)	323.1	290.2	315.9
Condensate (Bbl/d)	35,984	32,341	35,747
Other NGLs (Bbl/d)	6,627	5,648	6,144
NGLs (Bbl/d)	42,611	37,989	41,891
Light and medium crude oil (Bbl/d)	1,154	942	2,608
Tight oil (Bbl/d)	627	538	449
Heavy crude oil (Bbl/d)	396	409	–
Crude oil (Bbl/d)	2,177	1,889	3,057
Total (Boe/d)	98,644	88,243	97,601

	Grande Prairie Region			Kaybob Region			Central Alberta and Other Region		
	Q3 2023	Q2 2023	Q3 2022	Q3 2023	Q2 2023	Q3 2022	Q3 2023	Q2 2023	Q3 2022
Shale gas (MMcf/d)	222.8	196.1	188.2	28.0	21.7	38.5	25.9	28.2	27.1
Conventional natural gas (MMcf/d)	0.4	0.3	1.4	41.7	38.4	54.8	4.3	5.5	5.9
Natural gas (MMcf/d)	223.2	196.4	189.6	69.7	60.1	93.3	30.2	33.7	33.0
Condensate (Bbl/d)	32,145	30,046	30,610	2,981	1,301	4,157	858	994	980
Other NGLs (Bbl/d)	4,815	4,012	3,758	1,188	891	1,666	624	745	720
NGLs (Bbl/d)	36,960	34,058	34,368	4,169	2,192	5,823	1,482	1,739	1,700
Light and medium crude oil (Bbl/d)	–	–	5	1,131	914	2,434	23	28	169
Tight oil (Bbl/d)	220	159	–	104	115	208	303	264	241
Heavy crude oil (Bbl/d)	–	–	–	–	–	–	396	409	–
Crude oil (Bbl/d)	220	159	5	1,235	1,029	2,642	722	701	410
Total (Boe/d)	74,381	66,950	65,981	17,027	13,238	24,021	7,236	8,055	7,599

The Company forecasts that 2023 annual sales volumes will average between 95,000 Boe/d and 98,000 Boe/d (54% shale gas and conventional natural gas combined, 40% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% Other NGLs). Fourth quarter 2023 sales volumes are expected to average between 100,000 Boe/d and 103,000 Boe/d (53% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% Other NGLs).

The Company forecasts that 2024 annual sales volumes will average between 108,000 Boe/d and 116,000 Boe/d (53% shale gas and conventional natural gas combined, 40% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 7% Other NGLs). First half 2024 sales volumes are expected to average between 101,000 Boe/d and 111,000 Boe/d (54% shale gas and conventional natural gas combined, 40% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% Other NGLs). Second half 2024 sales volumes are expected to average between 115,000 Boe/d and

121,000 Boe/d (53% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% Other NGLs).

SPECIFIED FINANCIAL MEASURES

Non-GAAP Financial Measures

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

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

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

Refer to the table under the heading "Financial and Operating Results" in this press release for the calculation of netback and netback including risk management contract settlements for the three months ended September 30, 2023, June 30, 2023 and September 30, 2022.

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 (cash) debt are capital management measures that Paramount utilizes in managing its capital structure. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Refer to Note 15 – Capital

Structure in the unaudited Interim Condensed Consolidated Financial Statements of Paramount as at and for the three and nine months ended September 30, 2023 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 and nine months ended September 30, 2023 and 2022 and (iii) a calculation of net (cash) debt as at September 30, 2023 and December 31, 2022.

Supplementary Financial Measures

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

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

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

ADVISORIES

Forward-looking Information

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

- planned capital expenditures in 2023 and 2024 and the allocation thereof;
- forecast sales volumes for 2023 and 2024 and certain periods therein;
- planned abandonment and reclamation expenditures in 2023 and 2024;
- forecast free cash flow in 2023 and 2024;
- the anticipated capacity and timing of startup of the planned new facility at Willesden Green;
- the Company's five-year outlook for capital expenditures, cumulative free cash flow and sales volumes;
- the statement that Paramount does not forecast cash tax in its five-year outlook until 2027;
- planned exploration, development and production activities, including the expected timing of drilling, completing and bringing new wells on production and the expected timing of completion of planned facilities and infrastructure;
- planned outages and downtime of facilities;
- expected Grande Prairie sales volumes in 2024;
- expected Kaybob North Duvernay sales volumes growth;
- the expectation that Kaybob Region sales volumes will exceed 20,000 Boe/d in 2024;
- the Company's plans to grow production in the Central Alberta and Other Region to over 10,000 Boe/d in 2024; and
- the potential payment of future dividends.

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

- future commodity prices;
- the impact of international conflicts, including the Russian invasion of the Ukraine;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates, interest rates and the rate and impacts of inflation;
- general business, economic and market conditions;
- the performance of wells and facilities;
- the availability to Paramount of the required capital to fund 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 expected and acceptable costs to carry out its activities;
- the ability of Paramount to secure adequate 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;
- 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, including approvals required for the expansion and construction of facilities at Willesden Green;
- 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 facilities at Willesden Green, 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 the Company's five-year outlook for capital expenditures, cumulative free cash flow and sales volumes;
- changes in foreign currency exchange rates, interest rates and the rate of inflation;
- the uncertainty of estimates and projections relating to production, future revenue, free cash flow, reserve additions, product yields (including condensate to natural gas ratios), resource recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate 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 expected and acceptable costs, including the potential effects of inflation and supply chain disruptions;
- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities (including third-party facilities);
- processing, pipeline, and fractionation infrastructure outages, disruptions and constraints;
- risks and uncertainties that may result in changes to the planned expansion and construction of facilities at Willesden Green, including the potential for changes to facility design or the timelines for construction prior to finalization or the failure to obtain required governmental and regulatory approvals;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves estimates;
- general business, economic and market conditions;
- the ability to generate sufficient cash from operating activities to fund, or to otherwise finance, planned exploration, development and operational activities and meet current and future commitments and obligations (including 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 Indigenous 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 by the Company or the amount or timing of any such dividends.

With respect to the statement that Paramount does not forecast cash tax in its five-year outlook until 2027, taxable income varies depending on total income and expenses and estimates as to the timing of paying cash tax are sensitive to assumptions regarding commodity prices, production, cash from operating activities, capital spending levels, the allocation of free cash flow and acquisition and disposition transactions. Changes in these factors could result in the Company paying income taxes earlier or later than expected.

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, 2022, which is available on SEDAR+ at www.sedarplus.ca or on the Company's website at www.paramountres.com. The forward-looking information contained in this press release is made as of the date hereof and, except as required by applicable securities law, Paramount undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

Certain forward-looking information in this press release, including forecast free cash flow in 2023 and 2024 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
WTI	West Texas Intermediate

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

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

This press release contains disclosures expressed as "Boe", "$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the nine months ended September 30, 2023, the value ratio between crude oil and natural gas was approximately 35:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value.

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

Additional information respecting the Company's oil and gas properties and operations is provided in the Company's annual information form for the year ended December 31, 2022 which is available on SEDAR+ at www.sedarplus.ca.

Management's Discussion and Analysis
For the three and nine months ended September 30, 2023

This Management's Discussion and Analysis ("MD&A"), dated November 1, 2023, should be read in conjunction with the unaudited interim condensed consolidated financial statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the three and nine months ended September 30, 2023 (the "Interim Financial Statements") and Paramount's audited consolidated financial statements as at and for the year ended December 31, 2022 (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-rich natural gas focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas. Paramount's principal properties are located in Alberta and British Columbia. Paramount commenced operations as a public company in 1978 and has adapted to a multitude of operating and economic climates over the 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, 2022 ("Annual Information Form"), can be found on the SEDAR+ website at www.sedarplus.ca.

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

- the Grande Prairie Region, located in the Peace River Arch area of Alberta, which is focused on Montney developments at Karr and Wapiti;
- the Kaybob Region, located in west-central Alberta, which includes the Kaybob North Duvernay development, the Kaybob North Montney oil development 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 also 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. ("Cavalier") prospective for cold flow heavy oil and in-situ thermal oil recovery; (ii) six triple-sized 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", "free cash flow", "net (cash) debt" and "net debt to adjusted funds flow", which are capital management measures used by Paramount; and (iv) certain supplementary financial measures. Readers are referred to the Specified Financial Measures section of this MD&A for important additional information concerning these measures.

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

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

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
FINANCIAL				
Petroleum and natural gas sales	**463.8**	618.9	**1,328.0**	1,654.8
Net income	**87.2**	221.9	**358.2**	420.8
Per share – basic ($/share)	***0.61***	*1.57*	***2.51***	*2.99*
Per share – diluted ($/share)	***0.59***	*1.51*	***2.42***	*2.87*
Cash from operating activities	**207.6**	248.9	**651.1**	742.9
Per share – basic ($/share) (1)	***1.45***	*1.76*	***4.56***	*5.29*
Per share – diluted ($/share) (1)	***1.40***	*1.69*	***4.39***	*5.06*
Adjusted funds flow (1)	**234.2**	334.3	**681.0**	830.5
Per share – basic ($/share)	***1.64***	*2.37*	***4.77***	*5.91*
Per share – diluted ($/share)	***1.58***	*2.27*	***4.59***	*5.66*
Free cash flow (1)	**18.5**	137.5	**108.6**	309.2
Per share – basic ($/share)	***0.13***	*0.97*	***0.76***	*2.20*
Per share – diluted ($/share)	***0.12***	*0.93*	***0.73***	*2.11*
Total assets			**4,305.1**	4,261.3
Investments in securities			**577.5**	451.3
Long-term debt			**–**	306.3
Net (cash) debt (1)			**44.4**	347.0
Total liabilities			**840.6**	1,201.2
Common shares outstanding (millions) (2)			**143.4**	141.2
OPERATING				
Sales volumes				
Natural gas (MMcf/d)	**323.1**	315.9	**311.3**	285.5
Condensate and oil (Bbl/d)	**38,161**	38,804	**36,770**	32,670
Other NGLs (Bbl/d)	**6,627**	6,144	**6,066**	5,484
Total (Boe/d)	**98,644**	97,601	**94,724**	85,740
% Liquids	***45%***	*46%*	***45%***	*44%*
Realized prices (1)				
Natural gas ($/Mcf)	**2.67**	6.39	**3.12**	6.12
Condensate and oil ($/Bbl)	**103.36**	112.56	**99.67**	120.39
Other NGLs ($/Bbl)	**33.64**	51.20	**36.08**	58.05
Petroleum and natural gas sales ($/Boe)	**51.11**	68.92	**51.35**	70.70
Capital expenditures	**198.9**	184.3	**523.2**	485.5

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

(2) Common Shares are presented net of shares held in trust under the Company's restricted share unit plan (Common Shares): 2023: 0.4 million and 2022: 0.8 million.

Q3 2023 OVERVIEW

In the third quarter of 2023:

- Sales volumes averaged 98,644 Boe/d (45% liquids), a new quarterly record for the Company, compared to 88,243 Boe/d (45% liquids) in the second quarter of 2023.
    - Sales volumes in the Grande Prairie Region averaged a record 74,381 Boe/d (50% liquids) compared to 66,950 Boe/d (51% liquids) in the second quarter. Grande Prairie Region sales volumes were higher in the third quarter mainly due to the recovery from the Alberta wildfires.
    - Sales volumes in the Kaybob Region averaged 17,027 Boe/d (32% liquids) compared to 13,238 Boe/d (24% liquids) in the second quarter. Kaybob Region sales volumes were higher in the third quarter mainly due to the recovery from the Alberta wildfires, including the resumption of production from wells that remained shut-in at the end of the second quarter.
    - Sales volumes in the Central Alberta and Other Region averaged 7,236 Boe/d (30% liquids) compared to 8,055 Boe/d (30% liquids) in the second quarter.
- Cash from operating activities was $207.6 million ($1.45 per basic share) compared to $172.2 million ($1.20 per basic share) in the second quarter. Adjusted funds flow was $234.2 million ($1.64 per basic share), compared to $178.7 million ($1.25 per basic share) in the second quarter. [(1)]
- Free cash flow was $18.5 million ($0.13 per basic share) compared to $30.5 million ($0.21 per basic share) in the second quarter. [(1)]
- Capital expenditures totaled $198.9 million compared to $140.2 million in the second quarter and were focused on drilling and completion operations and the advancement of the liquids handling expansion at Paramount's Leafland natural gas processing plant in the Central Alberta and Other Region.
- Asset retirement obligations settled totaled $14.0 million compared to $5.9 million in the second quarter of 2023. Activities in the third quarter included the abandonment of seven wells and reclamation of seven well sites.
- Net (cash) debt was $44.4 million at September 30, 2023 compared to $2.3 million at June 30, 2023.[(1)]
- The carrying value of the Company's investments in securities was $577.5 million at September 30, 2023 compared to $489.9 million at June 30, 2023.

(1) Adjusted funds flow, free cash flow and net (cash) debt are capital management measures used by Paramount. Cash from operating activities per basic share, adjusted funds flow per basic share and free cash flow per basic share are supplementary financial measures. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

UPDATED 2023 GUIDANCE

Third quarter sales volumes were in-line with expectations. Paramount expects average fourth quarter 2023 sales volumes to be between 100,000 Boe/d and 103,000 Boe/d (47% liquids), resulting in average second half 2023 and annual 2023 sales volumes in the range of previous guidance. Fourth quarter 2023 sales volumes guidance includes the impact of the previously disclosed 11 day planned outage of the third-party Wapiti natural gas processing plant (the "Wapiti Plant") in October that was rescheduled from earlier in the year due to the Alberta wildfires.

Third quarter capital expenditures were also in-line with expectations. Paramount is narrowing the range of its 2023 capital expenditure guidance to $725 million to $750 million (~50% to growth) from previous guidance of $700 million to $750 million. The narrowing of the range reflects year-to-date spending and anticipated costs for remaining activities to be completed during the fourth quarter.

The Company is updating its forecast of 2023 free cash flow to approximately $165 million from $185 million to incorporate third quarter results and the slightly higher mid-point of forecast capital expenditures. (1)

2024 BUDGET AND GUIDANCE

Paramount is budgeting 2024 capital expenditures of between $830 million and $890 million, $60 million at midpoint more than the previous high range of preliminary guidance. This increase is largely related to (i) the addition of a five-well Willesden Green Duvernay pad to be drilled in the fourth quarter of 2024, (ii) the acceleration of the drilling of a four-well Kaybob North Duvernay pad into the fourth quarter of 2024, and (iii) slightly higher budgeted overall drilling, completion, equipping and tie-in costs due to persistent inflationary pressures.

The Company 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 2024 capital budget at midpoint is broken down as follows:

- $415 million (~50%) to sustaining capital and maintenance activities;
- $45 million (~5%) to growth capital associated with production benefits in 2024; and
- $400 million (~45%) to growth capital associated with production benefits largely in 2025 and beyond, including approximately $150 million related to the construction of the Company's new processing facility in Willesden Green.

The breakdown by region at midpoint is as follows:

- Grande Prairie Region − $425 million;
- Kaybob Region − $185 million; and
- Central Alberta and Other Region − $250 million.

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(1) Free cash flow is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure. The stated free cash flow forecast is based on the following assumptions for 2023: (i) the midpoint of stated capital expenditures and sales volumes, (ii) $55 million in abandonment and reclamation costs, (iii) $7 million in geological and geophysical expenses, (iv) realized pricing of $52.60/Boe (US$77.99/Bbl WTI, US$3.34/MMBtu NYMEX, $2.72/GJ AECO), (v) a $US/$CAD exchange rate of $0.746, (vi) royalties of $7.60/Boe, (vii) operating costs of $12.65/Boe and (vii) transportation and NGLs processing costs of $3.90/Boe. Assumed pricing of US$80.00/Bbl WTI, US$3.50/MMBtu NYMEX and $3.08/GJ AECO and an assumed $US/$CAD exchange rate of $0.755 for the fourth quarter of 2023 is unchanged from previous guidance, but the stated amounts have been adjusted to incorporate actual results for the first three quarters of 2023.

The breakdown by category at midpoint is as follows:

- Drilling, completion, equipping and tie-ins − $575 million;
- Facilities and gathering − $280 million; and
- Corporate and other − $5 million.

The majority of the facilities and gathering capital budgeted for 2024 relates to the first phase of the Company's new processing facility in Willesden Green. This first phase will provide an estimated 50 MMcf/d of raw gas and 10,000 Bbl/d of raw liquids handling capacity upon completion to support Paramount's Willesden Green Duvernay development, with start-up expected in the fourth quarter of 2025.

The Company has budgeted $40 million for abandonment and reclamation activities in 2024.

Average sales volumes in 2024 are expected to be between 108,000 Boe/d and 116,000 Boe/d (47% liquids), 3,000 Boe/d lower at midpoint compared to the previous preliminary guidance primarily due to (i) an increase in planned downtime by the third-party operator of the Wapiti Plant, (ii) a reduction in Paramount's assumption for on-time at the Wapiti Plant, (iii) higher than previously forecast gas lift requirements in the Grande Prairie Region, and (iv) a decision to delay the onstream timing of the second four-well pad in Willesden Green.

First half 2024 average sales volumes are expected to be between 101,000 Boe/d and 111,000 Boe/d (46% liquids), with second quarter sales volumes being impacted by a 21 day planned turnaround at the Wapiti Plant. Second half 2024 average sales volumes are expected to be between 115,000 Boe/d and 121,000 Boe/d (47% liquids).

Paramount is updating its forecast of 2024 free cash flow to approximately $350 million from $445 million to reflect updated capital expenditures, sales volumes, commodity prices and other assumptions.

	Preliminary 2024 Guidance	**2024 Budget**
Annual average sales volumes (Boe/d)	110,000 to 120,000 (48% liquids)	108,000 to 116,000 (47% liquids)
First half average sales volumes (Boe/d)	—	101,000 to 111,000 (46% liquids)
Second half average sales volumes (Boe/d)	—	115,000 to 121,000 (47% liquids)
Capital expenditures	$700 to $800 million (~50% to growth)	$830 to $890 million (~50% to growth)
Abandonment and reclamation expenditures	$40 million	No change
Free cash flow (1)	$445 million	$350 million

The Company's midpoint 2024 sustaining and maintenance capital program and regular monthly dividend would remain fully funded down to an average WTI price in 2024 of about US$55/Bbl.(2) The Company's total midpoint 2024 capital program and regular monthly dividend would remain fully funded down to an average WTI price in 2024 of about US$71/Bbl.(2)

(1) Free cash flow is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure. The stated free cash flow forecast is based on the following assumptions for 2024: (i) the midpoint of stated capital expenditures and sales volumes, (ii) $40 million in abandonment and reclamation costs, (iii) $7 million in geological and geophysical expenses, (iv) realized pricing of $56.40/Boe (US$80/Bbl WTI, US$3.50/MMBtu NYMEX, $2.84/GJ AECO), (v) a $US/$CAD exchange rate of $0.735, (vi) royalties of $8.80/Boe, (vii) operating costs of $12.05/Boe and (vii) transportation and NGLs processing costs of $3.70/Boe. For comparative purposes, the preliminary 2024 free cash flow forecast utilized the following differing assumptions as to the following factors: (i) realized pricing of $53.60/Boe (US$75.00/Bbl WTI, US$3.50/MMBtu NYMEX, $3.08/GJ AECO), (ii) a $US/$CAD exchange rate of $0.755, (iii) royalties of $8.10/Boe, (iv) operating costs of $11.20/Boe and (vi) transportation and NGLs processing costs of $3.60/Boe.

(2) Assuming no changes to the other forecast assumptions in 2024.

CONSOLIDATED RESULTS

Net Income

Paramount recorded net income of $87.2 million for the three months ended September 30, 2023 compared to net income of $221.9 million in the same period in 2022. Significant factors contributing to the change are shown below:

Three months ended September 30	
Net income – 2022	**221.9**
• Lower netback in 2023 mainly due to lower commodity prices	(140.2)
• Loss on risk management contracts in 2023 compared to a gain in 2022	(14.5)
• Lower income tax expense in 2023	25.2
• Other	(5.2)
Net income – 2023	**87.2**

Paramount recorded net income of $358.2 million for the nine months ended September 30, 2023 compared to net income of $420.8 million in the same period in 2022. Significant factors contributing to the change are shown below:

Nine months ended September 30	
Net income – 2022	**420.8**
• Lower netback in 2023 mainly due to lower commodity prices	(306.2)
• Higher depletion and depreciation expense in 2023	(79.3)
• Higher general and administrative expense in 2023	(9.7)
• Lower loss on risk management contracts in 2023	190.5
• Higher gain on sale of oil and gas assets in 2023	121.0
• Lower exploration and evaluation expense in 2023	17.8
• Other	3.3
Net income – 2023	**358.2**

Cash From Operating Activities

Cash from operating activities for the three months ended September 30, 2023 was $207.6 million compared to $248.9 million in the same period in 2022. Significant factors contributing to the change are shown below:

Three months ended September 30	
Cash from operating activities – 2022	**248.9**
• Lower netback in 2023 mainly due to lower commodity prices	(140.2)
• Change in non-cash working capital	62.7
• Receipts on risk management contract settlements in 2023 compared to payments in 2022	44.6
• Other	(8.4)
Cash from operating activities – 2023	**207.6**

Cash from operating activities for the nine months ended September 30, 2023 was $651.1 million compared to $742.9 million for the same period in 2022. Significant factors contributing to the change are shown below:

Nine months ended September 30	
Cash from operating activities – 2022	**742.9**
• Lower netback in 2023 mainly due to lower commodity prices	(306.2)
• Higher asset retirement obligations settled in 2023	(12.8)
• Receipts on risk management contract settlements in 2023 compared to payments in 2022	159.6
• Change in non-cash working capital	71.6
• Other	(4.0)
Cash from operating activities – 2023	**651.1**

Adjusted Funds Flow

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

	Three months ended September 30		Nine months ended September 30	
	2023	**2022**	**2023**	**2022**
Cash from operating activities	**207.6**	248.9	**651.1**	742.9
Change in non-cash working capital (1)	**9.8**	72.5	**(21.8)**	49.8
Geological and geophysical expense (2)	**2.8**	2.3	**7.4**	6.8
Asset retirement obligations settled (1)	**14.0**	10.2	**41.8**	29.0
Provisions (3)	**–**	0.4	**2.5**	2.0
Adjusted funds flow (4)	**234.2**	334.3	**681.0**	830.5
Adjusted funds flow ($/Boe) (5)	**25.81**	37.23	**26.34**	35.48

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

Adjusted funds flow for the three months ended September 30, 2023 was $234.2 million compared to $334.3 million in the same period in 2022. Significant factors contributing to the change are shown below:

Three months ended September 30	
Adjusted funds flow – 2022	**334.3**
• Lower netback in 2023 mainly due to lower commodity prices	(140.2)
• Receipts on risk management contract settlements in 2023 compared to payments in 2022	44.6
• Other	(4.5)
Adjusted funds flow – 2023	**234.2**

Adjusted funds flow for the nine months ended September 30, 2023 was $681.0 million compared to $830.5 million in the same period in 2022. Significant factors contributing to the change are shown below:

Nine months ended September 30	
Adjusted funds flow – 2022	**830.5**
• Lower netback in 2023 mainly due to lower commodity prices	(306.2)
• Receipts on risk management contract settlements in 2023 compared to payments in 2022	159.6
• Other	(2.9)
Adjusted funds flow – 2023	**681.0**

Free Cash Flow

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

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Cash from operating activities	**207.6**	248.9	**651.1**	742.9
Change in non-cash working capital (1)	**9.8**	72.5	**(21.8)**	49.8
Geological and geophysical expense (2)	**2.8**	2.3	**7.4**	6.8
Asset retirement obligations settled (1)	**14.0**	10.2	**41.8**	29.0
Provisions (3)	**–**	0.4	**2.5**	2.0
Adjusted funds flow	**234.2**	334.3	**681.0**	830.5
Capital expenditures (1)	**(198.9)**	(184.3)	**(523.2)**	(485.5)
Geological and geophysical expense (2)	**(2.8)**	(2.3)	**(7.4)**	(6.8)
Asset retirement obligations settled (1)	**(14.0)**	(10.2)	**(41.8)**	(29.0)
Free cash flow (4)	**18.5**	137.5	**108.6**	309.2

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

Free cash flow for the three months ended September 30, 2023 was $18.5 million compared to $137.5 million for the three months ended September 30, 2022. Significant factors contributing to the change are shown below:

Three months ended September 30	
Free cash flow – 2022	**137.5**
• Lower adjusted funds flow (described in "Adjusted Funds Flow" section above)	(100.1)
• Higher capital expenditures in 2023	(14.6)
• Higher asset retirement obligations settled in 2023	(3.8)
• Higher geological and geophysical expense in 2023	(0.5)
Free cash flow – 2023	**18.5**

Free cash flow for the nine months ended September 30, 2023 was $108.6 million compared to $309.2 million for the nine months ended September 30, 2022. Significant factors contributing to the change are shown below:

Nine months ended September 30	
Free cash flow – 2022	**309.2**
• Lower adjusted funds flow (described in "Adjusted Funds Flow" section above)	(149.5)
• Higher capital expenditures in 2023	(37.7)
• Higher asset retirement obligations settled in 2023	(12.8)
• Higher geological and geophysical expense in 2023	(0.6)
Free cash flow – 2023	**108.6**

OPERATING RESULTS

Netback

	Three months ended September 30				Nine months ended September 30			
	2023		2022		2023		2022	
		($/Boe)(1)(2)		($/Boe)(1)(2)		**($/Boe)(1)(2)**		($/Boe)(1)(2)
Natural gas revenue (3)	**79.3**	***2.67***	185.7	*6.39*	**265.5**	***3.12***	476.9	*6.12*
Condensate and oil revenue (3)	**362.9**	***103.36***	401.8	*112.56*	**1,000.5**	***99.67***	1,073.8	*120.39*
Other NGLs revenue (3)	**20.5**	***33.64***	28.9	*51.20*	**59.8**	***36.08***	86.9	*58.05*
Royalty income and other revenue (3)	**1.1**	**–**	2.5	–	**2.2**	**–**	17.2	–
Petroleum and natural gas sales (4)	**463.8**	***51.11***	618.9	*68.92*	**1,328.0**	***51.35***	1,654.8	*70.70*
Royalties (4)	**(75.2)**	***(8.28)***	(89.4)	*(9.96)*	**(185.5)**	***(7.17)***	(250.9)	*(10.72)*
Operating expense (4)	**(113.9)**	***(12.55)***	(110.0)	*(12.25)*	**(327.4)**	***(12.66)***	(287.9)	*(12.30)*
Transportation and NGLs processing (4)	**(31.2)**	***(3.44)***	(34.4)	*(3.83)*	**(101.2)**	***(3.91)***	(96.5)	*(4.12)*
Sales of commodities purchased (4)	**42.1**	***4.64***	77.9	*8.67*	**204.9**	***7.92***	169.3	*7.23*
Commodities purchased (4)	**(39.2)**	***(4.32)***	(76.4)	*(8.51)*	**(202.8)**	***(7.84)***	(166.6)	*(7.12)*
Netback (5)	**246.4**	***27.16***	386.6	*43.04*	**716.0**	***27.69***	1,022.2	*43.67*
Risk management contract settlements (6)	**0.2**	***0.02***	(44.4)	*(4.94)*	**3.7**	***0.14***	(155.9)	*(6.66)*
Netback including risk management contract settlements (7)	**246.6**	***27.18***	342.2	*38.10*	**719.7**	***27.83***	866.3	*37.01*

(1) Natural gas revenue shown per Mcf.
(2) When presented on a $/Boe or $/Mcf basis, each of the components of Netback is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.
(3) Refer to Note 12 in the Interim Financial Statements. Royalty income and other revenue for the three and nine months ended September 30, 2022 includes $nil and $11.9 million, respectively, related to a business interruption insurance claim.
(4) Refer to "Interim Condensed Consolidated Statements of Comprehensive Income" in the Interim Financial Statements.
(5) Netback is a non-GAAP financial measure. Netback presented on a $/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.
(6) Refer to Note 11 in the Interim Financial Statements.
(7) Netback including risk management contract settlements is a non-GAAP financial measure. Netback including risk management contract settlements presented on a $/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

Petroleum and natural gas sales were $463.8 million in the third quarter of 2023, a decrease of $155.1 million from the third quarter of 2022. Petroleum and natural gas sales were $1,328.0 million for the nine months ended September 30, 2023, a decrease of $326.8 million compared to the same period in 2022.

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

	Natural gas	Condensate and oil	Other NGLs	Royalty income and other revenue	Total
Three months ended September 30, 2022	185.7	401.8	28.9	2.5	618.9
Effect of changes in prices	(110.6)	(32.2)	(10.7)	–	(153.5)
Effect of changes in sales volumes	4.2	(6.7)	2.3	–	(0.2)
Change in royalty income and other revenue	–	–	–	(1.4)	(1.4)
Three months ended September 30, 2023	**79.3**	**362.9**	**20.5**	**1.1**	**463.8**

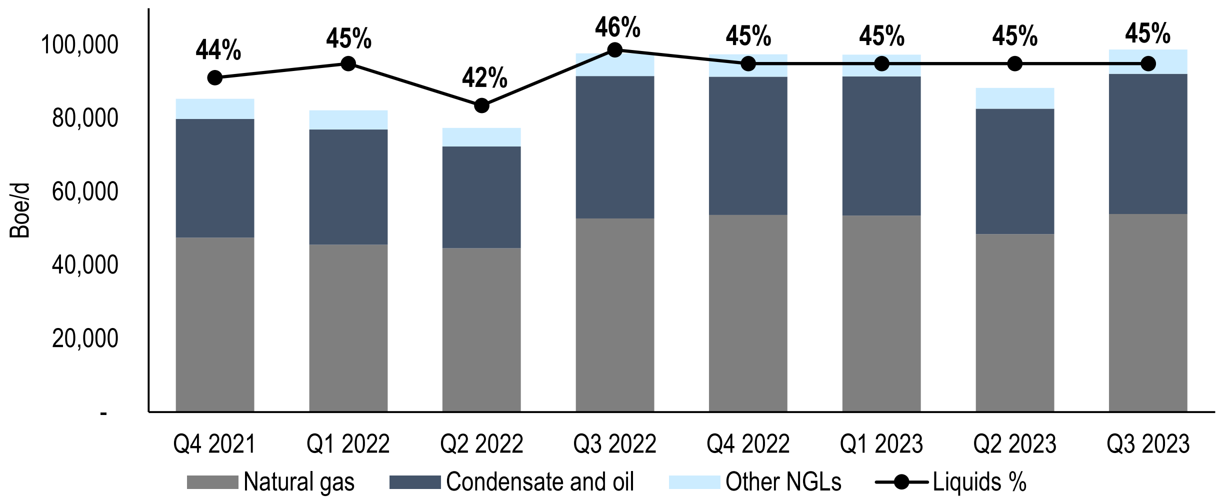
	Natural gas	Condensate and oil	Other NGLs	Royalty income and other revenue	Total
Nine months ended September 30, 2022	476.9	1,073.8	86.9	17.2	1,654.8
Effect of changes in prices	(254.5)	(208.1)	(36.3)	–	(498.9)
Effect of changes in sales volumes	43.1	134.8	9.2	–	187.1
Change in royalty income and other revenue	–	–	–	(15.0)	(15.0)
Nine months ended September 30, 2023	**265.5**	**1,000.5**	**59.8**	**2.2**	**1,328.0**

Royalty income and other revenue for the three and nine months ended September 30, 2022 includes $nil and $11.9 million, respectively, related to a business interruption insurance claim.

Sales Volumes

	Three months ended September 30											
	Natural gas (MMcf/d) (1)			Condensate and oil (Bbl/d) (1)			Other NGLs (Bbl/d) (1)			Total (Boe/d) (1)		
	2023	2022	% Chg	2023	2022	% Chg	2023	2022	% Chg	2023	2022	% Chg
Grande Prairie	223.2	189.6	18	32,365	30,615	6	4,815	3,758	28	74,381	65,981	13
Kaybob	69.7	93.3	(25)	4,216	6,799	(38)	1,188	1,666	(29)	17,027	24,021	(29)
Central Alberta and Other	30.2	33.0	(8)	1,580	1,390	14	624	720	(13)	7,236	7,599	(5)
Total	323.1	315.9	2	38,161	38,804	(2)	6,627	6,144	8	98,644	97,601	1

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



Sales volumes were 98,644 Boe/d (45% liquids) in the third quarter of 2023 compared to 97,601 Boe/d (46% liquids) in the same period in 2022.

Grande Prairie Region sales volumes in the third quarter of 2023 increased 13 percent to 74,381 Boe/d (50% liquids), compared to 65,981 Boe/d (52% liquids) in the same period in 2022. The increase was mainly due to new wells brought onstream since the third quarter of 2022. Grande Prairie Region sales volumes in the third quarter of 2023 were impacted by an estimated 5,400 Boe/d related to unplanned downtime associated with third-party midstream facilities (estimated 3,200 Boe/d impact in the third quarter of 2022).

Kaybob Region sales volumes averaged 17,027 Boe/d (32% liquids) in the third quarter of 2023 compared to 24,021 Boe/d (35% liquids) in the same period in 2022. Third quarter 2023 sales volumes were approximately 4,800 Boe/d lower due to the sale of the Company's Kaybob Smoky and Kaybob South Duvernay properties and certain other minor interests in January 2023 (the "Kaybob Disposition"). Additional information concerning the Kaybob Disposition is provided in this MD&A under "Operating Results – Other Items". Kaybob Region sales volumes in the third quarter of 2023 were also approximately 3,400 Boe/d lower due to turnarounds at midstream facilities, including a planned turnaround at the Company's Kaybob 8-9 natural gas processing plant, which shut-in the majority of Kaybob Region production for approximately three weeks (the "Kaybob Turnarounds").

Sales volumes in the Central Alberta and Other Region were 7,236 Boe/d (30% liquids) in the third quarter of 2023 compared to 7,599 Boe/d (28% liquids) in the same period in 2022.

	Nine months ended September 30											
	Natural gas (MMcf/d) [(1)]			Condensate and oil (Bbl/d) [(1)]			Other NGLs (Bbl/d) [(1)]			Total (Boe/d) [(1)]		
	2023	2022	% Chg	2023	2022	% Chg	2023	2022	% Chg	2023	2022	% Chg
Grande Prairie	**208.1**	160.8	*29*	**31,316**	26,410	*19*	**4,303**	3,315	*30*	**70,297**	56,526	*24*
Kaybob	**70.4**	92.4	*(24)*	**3,728**	5,134	*(27)*	**1,023**	1,603	*(36)*	**16,481**	22,142	*(26)*
Central Alberta and Other	**32.8**	32.3	*2*	**1,726**	1,126	*53*	**740**	566	*31*	**7,946**	7,072	*12*
Total	**311.3**	285.5	*9*	**36,770**	32,670	*13*	**6,066**	5,484	*11*	**94,724**	85,740	*10*

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

Sales volumes were 94,724 Boe/d (45% liquids) in the nine months ended September 30, 2023 compared to 85,740 Boe/d (44% liquids) in the same period in 2022. The Alberta wildfires impacted Paramount sales volumes by an estimated 12,000 Boe/d in the second quarter of 2023 and 900 Boe/d in the third quarter of 2023, resulting in a corresponding estimated 4,300 Boe/d impact on sales volumes for the nine months ended September 30, 2023.

Grande Prairie Region sales volumes were 70,297 Boe/d (51% liquids) for the nine months ended September 30, 2023 compared to 56,526 Boe/d (53% liquids) in the same period in 2022. The increase was mainly due to new wells brought onstream since the third quarter of 2022. Wildfires impacted Grande Prairie Region sales volumes by an estimated 6,000 Boe/d in the second quarter of 2023, resulting in a corresponding estimated 2,000 Boe/d impact on sales volumes for the nine months ended September 30, 2023. Grande Prairie Region sales volumes for the nine months ended September 30, 2023 were also impacted by approximately 4,800 Boe/d due to unplanned third-party facility outages and constraints and an eight-day 50 percent maintenance-related curtailment at the Wapiti Plant which had originally been scheduled for the fourth quarter of 2023. Grande Prairie Region sales volumes in the nine months ended September 30, 2022 were impacted by approximately 8,600 Boe/d related to downtime associated with third-party midstream facilities.

Kaybob Region sales volumes averaged 16,481 Boe/d (29% liquids) in the nine months ended September 30, 2023 compared to 22,142 Boe/d (30% liquids) in the same period in 2022. Wildfires impacted Kaybob Region sales volumes by an estimated 6,000 Boe/d in the second quarter of 2023 and 900 Boe/d in the third quarter of 2023, resulting in a corresponding estimated 2,300 Boe/d impact on sales volumes for the nine months ended September 30, 2023. Sales volumes for the nine months ended September 30, 2023 were also lower by approximately 4,500 Boe/d versus the same period in 2022 due to the Kaybob Disposition and the Kaybob Turnarounds.

Sales volumes in the Central Alberta and Other Region were 7,946 Boe/d (31% liquids) in the nine months ended September 30, 2023 compared to 7,072 Boe/d (24% liquids) in the same period of 2022. The increase was mainly due to two Willesden Green Duvernay property acquisitions completed in 2022.

Commodity Prices

	Three months ended September 30			Nine months ended September 30		
	2023	2022	% Change	2023	2022	% Change
Natural Gas (1)						
Paramount realized natural gas price ($/Mcf)	**2.67**	6.39	*(58)*	**3.12**	6.12	*(49)*
AECO daily spot ($/GJ)	**2.46**	3.95	*(38)*	**2.61**	5.10	*(49)*
AECO monthly index ($/GJ)	**2.26**	5.50	*(59)*	**2.87**	5.27	*(46)*
Dawn ($/MMBtu)	**3.07**	9.61	*(68)*	**3.19**	8.17	*(61)*
NYMEX (US$/MMBtu)	**2.66**	7.91	*(66)*	**2.58**	6.65	*(61)*
Malin daily index (US$/MMBtu)	**3.16**	7.51	*(58)*	**5.04**	6.39	*(21)*
Condensate and Oil (1)						
Paramount realized condensate & oil price ($/Bbl)	**103.36**	112.56	*(8)*	**99.67**	120.39	*(17)*
Edmonton light sweet crude oil ($/Bbl)	**107.29**	116.77	*(8)*	**100.65**	123.59	*(19)*
Edmonton condensate ($/Bbl)	**106.88**	115.27	*(7)*	**102.37**	123.21	*(17)*
West Texas Intermediate crude oil (US$/Bbl)	**82.26**	91.56	*(10)*	**77.40**	98.09	*(21)*
Other NGLs (1)						
Paramount realized Other NGLs price ($/Bbl)	**33.64**	51.20	*(34)*	**36.08**	58.05	*(38)*
Conway – propane ($/Bbl)	**37.55**	58.39	*(36)*	**39.79**	64.03	*(38)*
Belvieu – butane ($/Bbl)	**46.85**	63.73	*(26)*	**51.25**	76.27	*(33)*
Foreign Exchange						
$CAD / 1 $US	**1.34**	1.31	2	**1.35**	1.28	5

(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-differential physical contracts. The Company's natural gas portfolio includes arrangements to sell approximately 60,000 GJ/d of natural gas at Dawn, approximately 22,000 GJ/d of natural gas at Malin and approximately 20,000 GJ/d of natural gas at Iroquois.

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

Paramount's propane and butane volumes are sold under monthly and long-term contracts. The Company's realized Other NGLs prices for the three and nine months ended September 30, 2023 decreased 34 percent and 38 percent, respectively, compared to the same periods in 2022, relatively consistent with changes in benchmark prices over the same periods.

The Company had the following basis differential physical contracts at September 30, 2023:

	Volume	Location	Average price	Remaining term
Peace sweet crude oil	3,078 Bbl/d	Peace (1)	WTI – US$3.73/Bbl	October 2023 – December 2023
Natural gas	50,000 MMBtu/d	AECO	NYMEX – US$0.93/MMBtu (2)	October 2023
Natural gas	25,000 MMBtu/d	Dawn	NYMEX – US$0.20/MMBtu (2)	October 2023

(1) Peace refers to the Peace Pipeline at Edmonton.
(2) "NYMEX" refers to NYMEX pricing at Henry Hub.

Risk Management Contracts

Commodity Contracts

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

	Nine months ended September 30, 2023
Fair value, beginning of period	11.8
Changes in fair value	5.1
Settlements received	(14.5)
Fair value, end of period	**2.4**

The Company had the following financial commodity contracts at September 30, 2023:

Instruments	Aggregate amount / notional	Average price or rate	Remaining term
Oil			
NYMEX WTI Swaps (Sale) (1)	5,000 Bbl/d	CAD$110.05/Bbl	January 2024 – December 2024

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

Subsequent to September 30, 2023, Paramount terminated and closed out the entirety of its 5,000 Bbl/d in NYMEX WTI swaps (CAD$110.05, January 2024 to December 2024) for aggregate cash proceeds of $13.2 million and also entered into the following financial commodity contracts:

Instruments	Aggregate amount / notional	Average price or rate	Remaining term
Oil			
NYMEX WTI Swaps (Sale) (1)	10,000 Bbl/d	CAD$109.50/Bbl	January 2024 – December 2024

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

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

Foreign Currency Exchange Contracts

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

	Nine months ended September 30, 2023
Fair value, beginning of period	(9.8)
Changes in fair value	(5.4)
Settlements paid	10.8
Fair value, end of period	**(4.4)**

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

The Company had the following foreign currency exchange contracts at September 30, 2023:

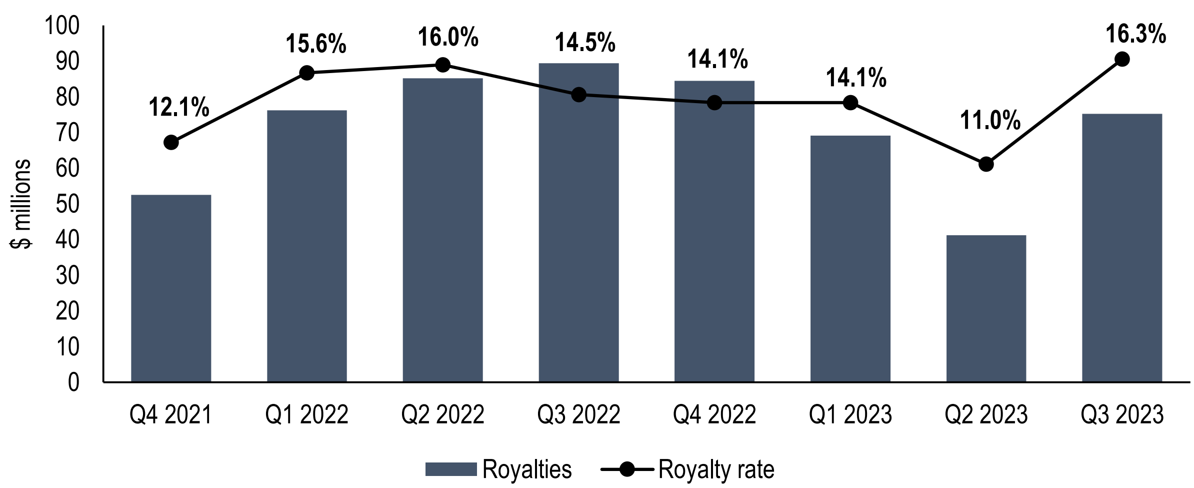
Instruments	Aggregate amount / notional	Average rate [(1)]	Remaining term
Swaps (Sale)	US$40 million / month	1.3427 CAD$/US$1.00	October 2023 – December 2023
Swaps (Sale)	US$30 million / month	1.3433 CAD$/US$1.00	January 2024 – June 2024
Swaps (Sale)	US$30 million / month	1.3462 CAD$/US$1.00	July 2024 – December 2024

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

Royalties

	Three months ended September 30				Nine months ended September 30			
	2023	Rate	2022	Rate	2023	Rate	2022	Rate
Royalties	75.2	16.3%	89.4	14.5%	185.5	14.0%	250.9	15.3%
$/Boe [(1)]	*8.28*		*9.96*		*7.17*		*10.72*	

(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 $75.2 million in the third quarter of 2023, $14.2 million lower than the same period in 2022. Royalties for the nine months ended September 30, 2023 were $185.5 million compared to $250.9 million in the same period in 2022.

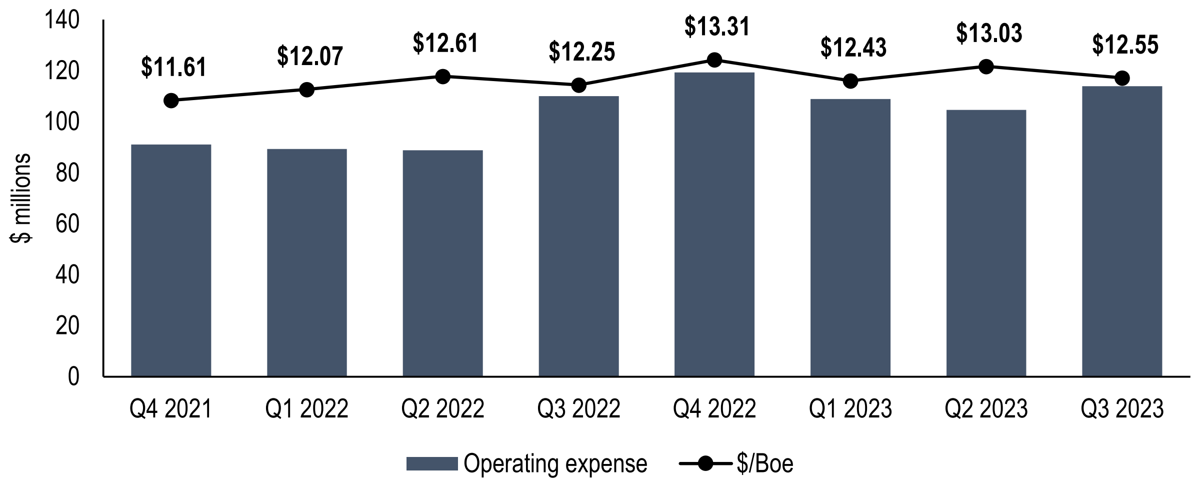
Royalties in the third quarter of 2023 were lower compared to the same period in 2022 mainly due to lower petroleum and natural gas sales, partially offset by higher royalty rates. Royalty rates increased in the third quarter of 2023 primarily due to a greater proportion of wells having fully utilized incentives in the Grande Prairie Region, partially offset by lower commodity prices.

Royalties decreased $65.4 million for the nine months ended September 30, 2023 compared to the same period in 2022 due to a combination of lower petroleum and natural gas sales, lower royalty rates and higher gas cost allowance. Royalty rates decreased in 2023 mainly due to lower commodity prices.

Operating Expense

	Three months ended September 30			Nine months ended September 30		
	2023	2022	% Change	2023	2022	% Change
Operating expense	113.9	110.0	4	327.4	287.9	14
$/Boe (1)	*12.55*	*12.25*	2	*12.66*	*12.30*	3

(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 $113.9 million in the third quarter of 2023 compared to $110.0 million in the same period in 2022. Operating expenses were $327.4 million in the first nine months of 2023 compared to $287.9 million in the same period in 2022. Operating expenses for the three and nine months ended September 30, 2023 were higher mainly as a result of higher processing fees from increased production, increased maintenance activities and higher labour costs. These increases were partially offset by the impacts of the Kaybob Disposition and lower power costs.

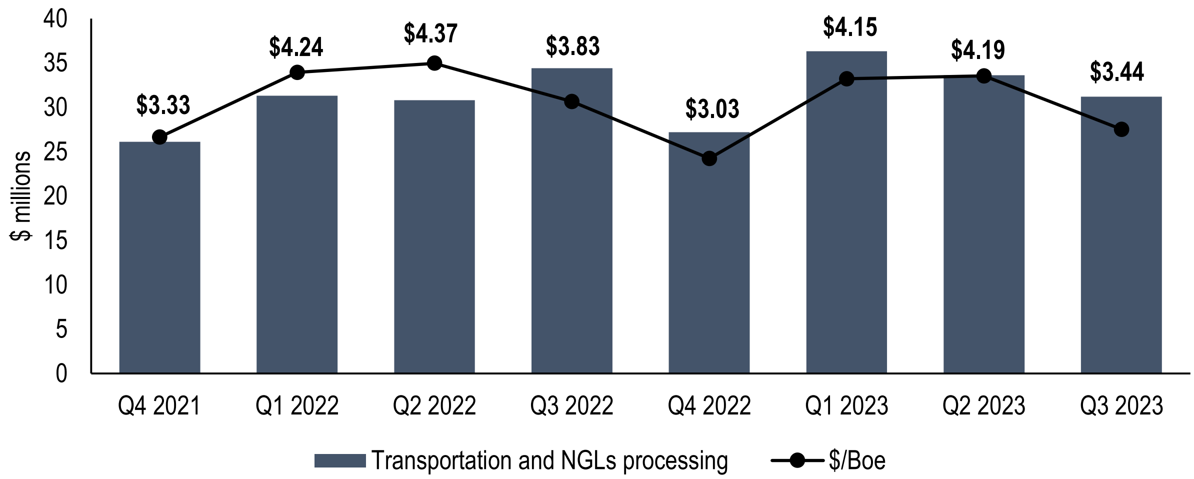
Third quarter 2023 operating expenses in the Grande Prairie Region were $72.7 million or $10.62/Boe compared to $68.1 million or $11.22/Boe for the same period in 2022. Grande Prairie operating costs for the nine months ended September 30, 2023 were $213.8 million or $11.14/Boe compared to $177.7 million or $11.51/Boe for the same period in 2022. Grande Prairie Region operating expenses for the three and nine months ended September 30, 2023 were higher mainly as a result of higher processing fees from increased production. Per unit operating costs in 2023 in the Grande Prairie Region decreased mainly due to higher sales volumes.

Total Company operating expenses were $12.55/Boe and $12.66/Boe in the three and nine months ended September 30, 2023, respectively, compared to $12.25/Boe and $12.30/Boe in the same periods in 2022, mainly due to the changes described above.

Transportation and NGLs Processing

	Three months ended September 30			Nine months ended September 30		
	2023	2022	% Change	2023	2022	% Change
Transportation and NGLs processing	**31.2**	34.4	(9)	**101.2**	96.5	5
$/Boe (1)	***3.44***	*3.83*	*(10)*	***3.91***	*4.12*	*(5)*

(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 $31.2 million and $101.2 million for the three and nine months ended September 30, 2023, respectively, compared to $34.4 million and $96.5 million in the same periods in 2022. Transportation and NGLs processing costs decreased in the third quarter of 2023 mainly due to short-term optimization activities undertaken by the Company with respect to its transportation portfolio. The increase in transportation and NGLs processing costs for the nine months ended September 30, 2023 was mainly due to higher production. Fourth quarter 2022 transportation and NGLs processing expense includes the impact of 13th month adjustments for volumes shipped in 2022.

Sales of Commodities Purchased and Commodities Purchased

	Three months ended September 30			Nine months ended September 30		
	2023	2022	% Change	2023	2022	% Change
Sales of commodities purchased	**42.1**	77.9	*(46)*	**204.9**	169.3	*21*
Commodities purchased	**(39.2)**	(76.4)	*(49)*	**(202.8)**	(166.6)	*22*

Paramount purchases commodities from third parties from time-to-time to fulfill sales commitments and for blending purposes. The Company sells these products to its customers. These transactions are presented as separate revenue and expense items in the consolidated statements of comprehensive income. A $2.4 million loss was incurred in the second quarter of 2023 relating to purchases made to fulfill sales commitments as a result of reduced sales volumes from the Alberta wildfires.

Other Items

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Depletion and depreciation	**89.6**	90.8	**266.5**	235.1
Change in asset retirement obligations	**(2.6)**	1.5	**3.6**	(33.8)
Alberta site rehabilitation program funding	**–**	(4.3)	**–**	(10.5)
Exploration and evaluation expense	**3.1**	3.0	**8.1**	25.9
Gain on sale of oil and gas assets	**(0.5)**	(0.4)	**(122.9)**	(1.9)
Accretion of asset retirement obligations	**10.9**	11.4	**32.5**	33.3

Depletion and depreciation expense was $89.6 million in the third quarter of 2023 compared to $90.8 million in the same period of 2022. Depletion and depreciation expense was $266.5 million in the nine months ended September 30, 2023 compared to $235.1 million in the same period in 2022. The increase in depletion and depreciation expense for the nine months ended September 30, 2023 was mainly attributable to higher sales volumes.

For the nine months ended September 30, 2023, the Company recorded a charge of $3.6 million (September 30, 2022 – a recovery of $33.8 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 2023, the changes resulted from revisions to the estimated retirement costs. The changes in 2022 were mainly due to revisions in the credit-adjusted risk-free rate used to discount obligations.

Exploration and evaluation expense was $3.1 million and $8.1 million for the three and nine months ended September 30, 2023, respectively, compared to $3.0 million and $25.9 million for the same periods in 2022. The decrease in exploration and evaluation expense for the nine months ended September 30, 2023 was primarily due to lower expenses related to expired mineral leases.

The Kaybob Disposition closed in January 2023. Paramount received cash proceeds of $370.2 million on the sale, resulting in a $120.6 million gain on sale of oil and gas assets. The properties sold had average sales volumes of approximately 4,700 Boe/d (13.8 MMcf/d of shale gas and 2,400 Bbl/d of NGLs) and a netback of approximately $21 million in the fourth quarter of 2022, the last full quarter prior to sale. The assets and liabilities associated with the Kaybob Disposition were presented as held for sale at December 31, 2022.

Accretion of asset retirement obligations was $10.9 million and $32.5 million for the three and nine months ended September 30, 2023, respectively, relatively consistent compared to $11.4 million and $33.3 million for the same periods in 2022.

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.

Asset retirement obligations settled in the nine months ended September 30, 2023 totaled $41.8 million. Activities in 2023 included the abandonment of 66 wells and reclamation of 78 well sites, including 30 abandonments and 49 reclamation certificates under the Company's ongoing area-based closure programs at Zama and Hawkeye.

At September 30, 2023, estimated undiscounted, uninflated asset retirement obligations were $1,278.0 million (December 31, 2022 – $1,296.0 million). At September 30, 2023, the Company's discounted asset retirement obligations were $537.0 million (discounted at 8.5 percent per annum and using an inflation rate of 2.0 percent per annum) compared to $540.1 million at December 31, 2022 (discounted at 8.5 percent per annum and using an inflation rate of 2.0 percent per annum). For further details concerning the Company's asset retirement obligations, refer to Note 6 in the Interim Financial Statements.

OTHER ASSETS

Investments in Securities

As at	September 30, 2023	December 31, 2022
Level one fair value hierarchy securities	496.2	477.3
Level three fair value hierarchy securities	81.3	79.8
	577.5	557.1

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 fair value hierarchy securities ("Level One Securities") are carried at their period-end trading prices. Estimates of fair values for investments that are categorized as level three fair value hierarchy securities ("Level Three Securities") are based on valuation techniques that incorporate unobservable inputs.

Level One Securities at September 30, 2023 included 37.3 million common shares of NuVista Energy Ltd. (December 31, 2022 - 37.3 million common shares), which had a carrying value of $484.3 million (December 31, 2022 - $464.9 million).

For the three and nine months ended September 30, 2023, the Company recorded $87.9 million and $20.4 million, respectively, before tax, to other comprehensive income related to changes in the fair value estimates of its investments in securities.

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

	Nine months ended September 30, 2023	Twelve months ended December 31, 2022
Investments in securities, beginning of period	557.1	372.1
Changes in fair value of Level One Securities	18.7	222.4
Changes in fair value of Level Three Securities	1.7	12.9
Changes in fair value of warrants – recorded in earnings	–	0.4
Acquired – cash	–	1.8
Acquired – non-cash	–	4.3
Proceeds of dispositions – cash	–	(52.8)
Proceeds of dispositions – non-cash	–	(4.0)
Investments in securities, end of period	577.5	557.1

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

CORPORATE

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
General and administrative	**11.8**	9.7	**38.9**	29.2
Share-based compensation	**4.4**	3.2	**15.7**	12.2
Interest and financing	**1.7**	3.3	**4.5**	8.6
Deferred income tax expense	**28.7**	53.9	**110.8**	116.6
Other	**–**	(5.0)	**(0.2)**	(4.1)

General and administrative expense was $11.8 million and $38.9 million for the three and nine months ended September 30, 2023, respectively, compared to $9.7 million and $29.2 million in the same periods in 2022. The increase in general and administrative expense in 2023 mainly related to increased headcount and higher employee incentive amounts.

Interest and financing expense was $4.5 million for the nine months ended September 30, 2023 compared to $8.6 million in the same period in 2022. The Company repaid all remaining drawings under its $1.0 billion financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility") in January 2023 following the closing of the Kaybob Disposition. Interest and financing expense for the nine months ended September 30, 2022 was reduced by $6.3 million related to unrealized gains on a portion of the Company's prior interest rate swaps that were not accounted for as cash flow hedges.

Deferred income tax expense was $28.7 million and $110.8 million for the three and nine months ended September 30, 2023, respectively, compared to $53.9 million and $116.6 million recorded in the same periods in 2022.

CAPITAL EXPENDITURES AND LAND AND PROPERTY ACQUISITIONS

Capital Expenditures

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Drilling, completion, equipping and tie-ins	152.8	148.5	405.9	391.5
Facilities and gathering	41.7	16.0	93.0	48.9
Drilling rigs	4.9	10.8	15.1	13.7
Corporate	(0.5)	9.0	9.2	31.4
Capital expenditures	198.9	184.3	523.2	485.5
Grande Prairie Region	117.6	133.5	304.7	317.5
Kaybob Region	41.4	30.8	125.8	119.8
Central Alberta and Other Region	35.5	0.2	58.2	1.3
Fox Drilling and Cavalier	4.9	10.8	25.3	15.5
Corporate	(0.5)	9.0	9.2	31.4
Capital expenditures	198.9	184.3	523.2	485.5

Land and Property Acquisitions

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Land and property acquisitions	8.9	65.5	61.1	132.5

Capital expenditures totaled $198.9 million in the third quarter of 2023 compared to $184.3 million in the same period in 2022. Capital expenditures totaled $523.2 million in the first nine months of 2023 compared to $485.5 million in the same period in 2022. Expenditures in the first nine months of 2023 were mainly directed to drilling and completion programs in the Grande Prairie and Kaybob Regions and development activities at Willesden Green in the Central Alberta and Other Region. Significant capital program activities in the nine months ended September 30, 2023 included the following:

- In the Grande Prairie Region, the Company drilled 24 (24.0 net) operated Montney wells, completed 22 (22.0 net) wells and brought-on production 24 (24.0 net) wells. In the second quarter of 2023, the Company also completed an infrastructure debottlenecking project to facilitate production growth in the region.

- In the Kaybob Region, the Company drilled 9 (8.4 net) wells, completed 5 (4.4 net) wells and brought on production 3 (3.0 net) wells. 7 (7.0 net) of the wells drilled, 3 (3.0 net) of the wells completed and all of the wells brought on production were Duvernay wells.

- In the Central Alberta and Other Region, the Company drilled 3 (3.0 net) Duvernay wells at Willesden Green and continued the liquids handling expansion at the Leafland natural gas processing plant, which is anticipated to start-up in the first quarter of 2024.

- Fox Drilling and Cavalier capital expenditures included costs related to the construction of a fifth super-spec walking rig that was completed in the fourth quarter of 2023 and the drilling of 2 (2.0 net) wells and completion of 1 (1.0 net) well.

Land and property acquisitions totaled $8.9 million in the third quarter of 2023 compared to $65.5 million in the same period in 2022. Land and property acquisitions totaled $61.1 million in the first nine months of 2023 compared to $132.5 million in the same period in 2022.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

iii. maximize shareholder returns considering the risk environment.

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

The key capital management measures used by the Company in monitoring and assessing its capital structure are net (cash) debt, adjusted funds flow, the ratio of net debt to adjusted funds flow and free cash flow. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Readers are referred to the Specified Financial Measures section of this MD&A and Note 15 – Capital Structure in the Interim Financial Statements for important additional information concerning these measures.

As at	September 30, 2023	December 31, 2022
Cash and cash equivalents	(43.1)	(2.5)
Accounts receivable [1]	(166.7)	(216.5)
Prepaid expenses and other	(16.0)	(9.1)
Accounts payable and accrued liabilities	270.2	229.9
Long-term debt	–	159.4
Net (cash) debt	44.4	161.2

(1) Excludes accounts receivable relating to lease incentives and subleases (September 30, 2023 – $3.3 million, December 31, 2022 – $6.7 million).

Net (cash) debt does not account for the $577.5 million carrying value of the Company's investments in securities at September 30, 2023 (December 31, 2022 – $557.1 million) .

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

Based on the forecasts of fourth quarter 2023 sales volumes and the pricing assumptions set out in this MD&A under "Updated 2023 Guidance" and the forecasts of 2024 sales volumes and the pricing assumptions set out in this MD&A under "2024 Budget and Guidance", Paramount expects to fully fund its budgeted fourth quarter 2023 and 2024 annual maintenance and sustaining capital expenditures, abandonment and reclamation expenditures and regular monthly dividends from cash from operating activities. Paramount may utilize borrowing capacity under the Paramount Facility for liquidity from time-to-time to fund portions of its budgeted growth capital expenditures.

The ability of cash from operating activities to satisfy the Company's funding requirements in the fourth quarter of 2023, in 2024 and in future years is dependent on a number of factors, including commodity prices, sales volumes, royalties, operating and transportation costs, general and administrative and interest expenses and foreign currency exchange rates.

Paramount may also determine to divest of assets or investments in securities from time-to-time to reduce indebtedness or fund operations. In the first quarter of 2023, Paramount completed the Kaybob Disposition for cash proceeds of $370.2 million and repaid all remaining drawings under the Paramount Facility. Subject to market conditions and availability, proceeds from new debt and/or equity financings may also provide additional sources of capital from time-to-time.

Paramount Facility

The Paramount Facility is a $1.0 billion financial covenant-based senior secured revolving bank credit facility. The maturity date of the Paramount Facility is May 3, 2026. At Paramount's request, the credit limit of the Paramount Facility can be increased by up to $250 million pursuant to an accordion feature in the facility, subject to incremental lender commitments.

Paramount was in compliance with the financial covenants under the Paramount Facility at September 30, 2023.

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling $2.0 million at September 30, 2023 (December 31, 2022 – $2.2 million) that reduce the amount available to be drawn on the facility.

For additional information concerning the Paramount Facility, refer to Note 8 of the Annual Financial Statements.

Unsecured Letter of Credit Facility

The Company has a $90 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank. Paramount's obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada. The PSG is valid to June 30, 2025. At September 30, 2023, $26.8 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2022 – $24.2 million).

Cash Flow Hedges

The Company had the following floating-to-fixed electricity swaps at September 30, 2023:

Contract type	Aggregate notional	Remaining term	Average fixed contract rate	Reference (1)	Fair value
Electricity Swaps	240 MWh/d	October 2023 – December 2023	$84.00/MWh	AESO Pool Price	1.1
Electricity Swaps	240 MWh/d	January 2024 – December 2024	$66.13/MWh	AESO Pool Price	1.5
Electricity Swaps	240 MWh/d	January 2025 – December 2025	$71.13/MWh	AESO Pool Price	(0.1)
					2.5

(1) Floating hourly rate established by the Alberta Electric System Operator. "MWh" means megawatt-hour.

The Company has classified its floating-to-fixed electricity swaps as cash flow hedges and applied hedge accounting. There were no changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified at September 30, 2023.

Share Capital

At October 31, 2023, Paramount had 143.9 million Common Shares outstanding (net of 0.4 million Common Shares held in trust under the Company's restricted share unit plan) and 9.8 million options to acquire Common Shares outstanding, of which 4.3 million options are exercisable.

For the nine months ended September 30, 2023, Paramount issued 1.0 million Common Shares on the exercise of options to acquire Common Shares.

Dividends

Paramount declared total dividends of $2.125 per Common Share, or $304.1 million, in the nine months ended September 30, 2023 (September 30, 2022 – $0.78 per Common Share or $110.5 million), comprised of a special dividend of $1.00 per Common Share and aggregate regular monthly dividends of $1.125 per Common Share. The Company also paid a regular monthly dividend of $0.125 per Common Share on October 31, 2023 to shareholders of record on October 16, 2023.

Normal Course Issuer Bid

In July 2023, Paramount implemented a normal course issuer bid (the "2023 NCIB") under which the Company may purchase up to 7.7 million Common Shares for cancellation. The 2023 NCIB will terminate on the earlier of July 5, 2024 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2023 NCIB are purchased. Purchases of Common Shares under the NCIB will be made through the facilities of the Toronto Stock Exchange or alternative Canadian trading systems at the market price at the time of purchase. The Company has not made any purchases of Common Shares under the 2023 NCIB to date.

Paramount previously implemented a normal course issuer bid in June 2022. No shares were purchased under this normal course issuer bid, which expired on June 29, 2023.

QUARTERLY INFORMATION

	2023			2022				2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Petroleum and natural gas sales	**463.8**	374.4	489.7	597.7	618.9	536.2	499.6	434.5
Revenue	**430.7**	380.9	535.7	616.0	607.4	493.7	472.2	404.1
Net income	**87.2**	74.2	197.0	259.9	221.9	182.2	16.6	101.0
Per share – basic ($/share)	***0.61***	*0.52*	*1.39*	*1.83*	*1.57*	*1.29*	*0.12*	*0.75*
Per share – diluted ($/share)	***0.59***	*0.50*	*1.33*	*1.76*	*1.51*	*1.24*	*0.11*	*0.70*
Cash from operating activities (1)	**207.6**	172.2	271.4	306.9	248.9	318.9	174.9	191.8
Per share – basic ($/share)	***1.45***	*1.20*	*1.91*	*2.17*	*1.76*	*2.26*	*1.25*	*1.42*
Per share – diluted ($/share)	***1.40***	*1.16*	*1.84*	*2.08*	*1.69*	*2.16*	*1.20*	*1.33*
Adjusted funds flow (1)	**234.2**	178.7	268.2	340.7	334.3	258.3	237.8	174.6
Per share – basic ($/share)	***1.64***	*1.25*	*1.89*	*2.40*	*2.37*	*1.83*	*1.70*	*1.29*
Per share – diluted ($/share)	***1.58***	*1.21*	*1.81*	*2.31*	*2.27*	*1.75*	*1.63*	*1.21*
Free cash flow (1)	**18.5**	30.5	59.8	162.0	137.5	68.3	103.4	99.0
Per share – basic ($/share)	***0.13***	*0.21*	0.42	1.14	0.97	0.48	0.74	0.73
Per share – diluted ($/share)	***0.12***	*0.21*	0.40	1.10	0.93	0.46	0.71	0.69
Dividends declared ($/share)	**0.375**	0.375	1.375	0.35	0.30	0.28	0.20	0.14
Sales volumes								
Natural gas (MMcf/d)	**323.1**	290.2	320.6	321.9	315.9	267.2	272.9	284.8
Condensate and oil (Bbl/d)	**38,161**	34,230	37,916	37,580	38,804	27,750	31,375	32,342
Other NGLs (Bbl/d)	**6,627**	5,648	5,916	6,143	6,144	5,021	5,276	5,462
Total (Boe/d)	**98,644**	88,243	97,269	97,370	97,601	77,312	82,137	85,265
Liquids %	***45%***	*45%*	*45%*	*45%*	*46%*	*42%*	*45%*	*44%*
Realized prices (1)								
Natural gas ($/Mcf)	**2.67**	2.43	4.23	6.56	6.39	6.75	5.18	4.76
Condensate and oil ($/Bbl)	**103.36**	94.42	100.66	108.50	112.56	134.65	117.53	94.46
Other NGLs ($/Bbl)	**33.64**	30.86	43.93	48.25	51.20	62.80	61.64	54.61
Petroleum and natural gas ($/Boe)	**51.11**	46.63	55.94	66.72	68.92	76.22	67.59	55.40

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

Significant Items Impacting Quarterly Results

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

- Third quarter 2023 earnings include the impacts of higher production volumes following the Alberta wildfires in the second quarter.
- Second quarter 2023 earnings include the impacts of the Alberta wildfires on production volumes and netback.
- First quarter 2023 earnings include a $121.1 million gain on the sale of oil and gas assets.
- Fourth quarter 2022 earnings include deferred income tax expense of $68.5 million, a provision reversal of $24.0 million and $6.9 million related to the impacts of terminating $500 million of floating-to-fixed interest rate swaps in December 2022.

- Third quarter 2022 earnings include the impacts of higher production volumes and petroleum and natural gas sales revenue.
- Second quarter 2022 earnings include deferred income tax expense of $55.5 million, a recovery of $46.9 million related to changes in the discounted carrying value of asset retirement obligations in respect of properties that had a nil carrying value and a $41.3 million loss on risk management contracts.
- 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.

OTHER INFORMATION

Contractual Obligations

Paramount had the following contractual obligations at September 30, 2023: (1)

	Within 1 year	After one year but not more than three years	After three years but not more than five years	More than five years	Total
Transportation and processing commitments	241.3	531.3	415.5	1,116.2	**2,304.3**
Asset retirement obligations (2)	37.7	81.1	83.1	1,076.1	**1,278.0**
Finance lease and other commitments	10.9	15.7	7.5	22.6	**56.7**
	289.9	**628.1**	**506.1**	**2,214.9**	**3,639.0**

(1) Excludes accounts payable and accrued liabilities.
(2) Undiscounted, uninflated asset retirement obligations estimated as at September 30, 2023. Estimated costs and timing of settlement are revised from time-to-time based on new information.

In 2023, the Company secured incremental long-term firm-service transportation and processing capacity with third parties.

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 September 30, 2023, there was no change in the Company's internal control over financial reporting ("ICFR") that materially affected, or is reasonably likely to materially affect, the Company's ICFR.

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

RISK FACTORS

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

Global economies, including that of Canada, have been experiencing inflation across broad categories of goods and services. In addition, international conflicts, including the Russian invasion of the Ukraine, have resulted in additional volatility in global financial and commodity markets and has increased the potential for supply chain constraints and disruptions.

The Company continues to monitor its supply chain and the availability and cost of materials and third-party services. While the Company has not, to date, experienced material interruptions in the availability of supplies or services, it has experienced inflationary cost pressures across its operations. 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. However, these response measures have not fully offset the inflationary cost pressures that have been experienced.

The existence and economic impact of these conditions and the response thereto increases the Company's exposure to the risks described in the Risk Factors of the Annual Information Form section under "Volatility of NGLs, Natural Gas and Oil Prices and Price Differentials", "Uncertainty as to Costs", "Availability of Equipment, Materials and Services", "Market Price of Common Shares", "Investment Risk" and "Hedging, Interest Rates and Foreign Currency Exchange Rates".

PRODUCT TYPE INFORMATION

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

	2023			2022				2021	YTD	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	2023	2022
SALES VOLUMES – TOTAL COMPANY BY PRODUCT TYPE										
Shale gas (MMcf/d)	276.7	246.0	265.2	260.0	253.8	203.7	213.1	220.4	263.0	223.7
Conventional natural gas (MMcf/d)	46.4	44.2	55.4	61.9	62.1	63.5	59.8	64.4	48.3	61.8
Natural gas (MMcf/d)	323.1	290.2	320.6	321.9	315.9	267.2	272.9	284.8	311.3	285.5
Condensate (Bbl/d)	35,984	32,341	34,706	34,616	35,747	25,374	29,064	29,797	34,349	30,086
Other NGLs (Bbl/d)	6,627	5,648	5,916	6,143	6,144	5,021	5,276	5,462	6,066	5,484
NGLs (Bbl/d)	42,611	37,989	40,622	40,759	41,891	30,395	34,340	35,259	40,415	35,570
Light and medium crude oil (Bbl/d)	1,154	942	2,151	2,335	2,608	1,974	1,874	2,048	1,412	2,155
Tight oil (Bbl/d)	627	538	599	629	449	402	437	497	588	429
Heavy crude oil (Bbl/d)	396	409	460	–	–	–	–	–	421	–
Crude oil (Bbl/d)	2,177	1,889	3,210	2,964	3,057	2,376	2,311	2,545	2,421	2,584
Total (Boe/d)	98,644	88,243	97,269	97,370	97,601	77,312	82,137	85,265	94,724	85,740

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	YTD 2023	YTD 2022
SALES VOLUMES – BY REGION BY PRODUCT TYPE										
GRANDE PRAIRIE REGION										
Shale gas (MMcf/d)	222.8	196.1	204.0	188.4	188.2	138.8	151.4	156.5	207.7	159.6
Conventional natural gas (MMcf/d)	0.4	0.3	0.4	1.5	1.4	1.0	1.1	2.4	0.4	1.2
Natural gas (MMcf/d)	223.2	196.4	204.4	189.9	189.6	139.8	152.5	158.9	208.1	160.8
Condensate (Bbl/d)	32,145	30,046	31,367	29,146	30,610	22,511	26,042	26,272	31,189	26,405
Other NGLs (Bbl/d)	4,815	4,012	4,074	3,631	3,758	2,914	3,267	3,276	4,303	3,315
NGLs (Bbl/d)	36,960	34,058	35,441	32,777	34,368	25,425	29,309	29,548	35,492	29,720
Light and medium crude oil (Bbl/d)	–	—	–	–	5	5	6	6	–	5
Tight oil (Bbl/d)	220	159	–	–	–	–	–	–	127	–
Crude oil (Bbl/d)	220	159	–	–	5	5	6	6	127	5
Total (Boe/d)	74,381	66,950	69,507	64,434	65,981	48,736	54,737	56,035	70,297	56,526

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	YTD 2023	YTD 2022
KAYBOB REGION										
Shale gas (MMcf/d)	28.0	21.7	31.8	41.9	38.5	37.9	35.7	35.6	27.5	37.4
Conventional natural gas (MMcf/d)	41.7	38.4	49.6	55.0	54.8	56.7	53.6	56.8	42.9	55.0
Natural gas (MMcf/d)	69.7	60.1	81.4	96.9	93.3	94.6	89.3	92.4	70.4	92.4
Condensate (Bbl/d)	2,981	1,301	2,315	4,354	4,157	2,092	2,130	2,184	2,202	2,801
Other NGLs (Bbl/d)	1,188	891	988	1,671	1,666	1,585	1,558	1,788	1,023	1,603
NGLs (Bbl/d)	4,169	2,192	3,303	6,025	5,823	3,677	3,688	3,972	3,225	4,404
Light and medium crude oil (Bbl/d)	1,131	914	2,121	2,045	2,434	1,946	1,832	2,000	1,385	2,073
Tight oil (Bbl/d)	104	115	206	262	208	253	322	355	141	260
Crude oil (Bbl/d)	1,235	1,029	2,327	2,307	2,642	2,199	2,154	2,355	1,526	2,333
Total (Boe/d)	17,027	13,238	19,201	24,477	24,021	21,642	20,726	21,725	16,481	22,142

	2023			2022				2021	YTD	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	2023	2022
CENTRAL ALBERTA AND OTHER REGION										
Shale gas (MMcf/d)	**25.9**	28.2	29.4	29.7	27.1	27.0	26.0	28.2	27.8	26.7
Conventional natural gas (MMcf/d)	**4.3**	5.5	5.4	5.4	5.9	5.8	5.1	5.3	5.0	5.6
Natural gas (MMcf/d)	**30.2**	33.7	34.8	35.1	33.0	32.8	31.1	33.5	32.8	32.3
Condensate (Bbl/d)	**858**	994	1,024	1,116	980	771	892	1,341	958	880
Other NGLs (Bbl/d)	**624**	745	854	841	720	522	451	398	740	566
NGLs (Bbl/d)	**1,482**	1,739	1,878	1,957	1,700	1,293	1,343	1,739	1,698	1,446
Light and medium crude oil (Bbl/d)	**23**	28	30	290	169	23	36	42	27	77
Tight oil (Bbl/d)	**303**	264	393	367	241	149	115	142	320	169
Heavy crude oil (Bbl/d)	**396**	409	460	–	–	–	–	–	421	–
Crude oil (Bbl/d)	**722**	701	883	657	410	172	151	184	768	246
Total (Boe/d)	**7,236**	8,055	8,561	8,459	7,599	6,934	6,674	7,505	7,946	7,072

The Company forecasts that 2023 annual sales volumes will average between 95,000 Boe/d and 98,000 Boe/d (54% shale gas and conventional natural gas combined, 40% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% Other NGLs). Fourth quarter 2023 sales volumes are expected to average between 100,000 Boe/d and 103,000 Boe/d (53% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% Other NGLs).

The Company forecasts that 2024 annual sales volumes will average between 108,000 Boe/d and 116,000 Boe/d (53% shale gas and conventional natural gas combined, 40% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 7% Other NGLs). First half 2024 sales volumes are expected to average between 101,000 Boe/d and 111,000 Boe/d (54% shale gas and conventional natural gas combined, 40% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% Other NGLs). Second half 2024 sales volumes are expected to average between 115,000 Boe/d and 121,000 Boe/d (53% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% Other NGLs).

SPECIFIED FINANCIAL MEASURES

Non-GAAP Financial Measures

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

Netback equals petroleum and natural gas sales (the most directly comparable measure disclosed in the Company's primary financial statements) plus sales of commodities purchased less royalties, operating expense, transportation and NGLs processing expense and commodities purchased. Sales of commodities purchased and commodities purchased are treated as corporate items and 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 and nine months ended September 30, 2023 and 2022 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 (cash) debt and net debt to adjusted funds flow are capital management measures that Paramount utilizes in managing its capital structure. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Refer to Note 15 – 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 and nine months ended September 30, 2023 and 2022 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 and nine months ended September 30, 2023 and 2022 is provided in this MD&A under "Consolidated Results – Free Cash Flow".

A calculation of net (cash) debt as at September 30, 2023 and December 31, 2022 is provided in this MD&A under "Liquidity and Capital Resources". The label of the net (cash) debt capital management measure has been revised from the previous label of net debt to allow for the description of negative amounts as net (cash). Paramount's net debt to adjusted funds flow (determined on a trailing four quarter basis) was 0.0x at September 30, 2023 (December 31, 2022 – 0.1x).

Supplementary Financial Measures

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

Cash from operating activities, adjusted funds flow and free cash flow on a per share – basic basis are calculated by dividing 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, revenue, royalties, operating expenses, transportation and NGLs processing expenses, sales of commodities purchased and commodities purchased on a $/Bbl, $/Mcf or $/Boe basis are calculated by dividing petroleum and natural gas sales, adjusted funds flow, revenue, royalties, operating expenses, transportation and NGLs processing expenses, sales of commodities purchased and commodities purchased, as applicable, over the referenced period by the aggregate units (Bbl, Mcf or Boe) produced during such period.

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

ADVISORIES

Forward-looking Information

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

- planned capital expenditures in 2023 and 2024 and the allocation thereof;
- forecast sales volumes for 2023 and 2024 and certain periods therein;
- planned abandonment and reclamation expenditures in 2023 and 2024;
- forecast free cash flow in 2023 and 2024;
- the anticipated capacity and timing of start-up of the planned new facility at Willesden Green;
- the anticipated start-up of the Leafland natural gas processing plant in the first quarter of 2024;
- the expectation that the Company will fully fund budgeted fourth quarter 2023 and 2024 annual maintenance and sustaining capital expenditures, abandonment and reclamation expenditures and regular monthly dividends from cash from operating activities;
- the anticipation that legal proceedings will not have a material impact on Paramount's financial position; and
- the potential payment of future dividends.

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

- future commodity prices;
- the impact of international conflicts, including the Russian invasion of Ukraine;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates, interest rates and the rate and impacts of inflation;
- general business, economic and market conditions;
- the performance of wells and facilities;
- the availability to Paramount of the required capital to fund 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 expected and acceptable costs 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;
- 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, including approvals required for the expansion and construction of facilities at Willesden Green;
- 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 facilities at Willesden Green, 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;
- changes in foreign currency exchange rates, interest rates and the rate of inflation;
- the uncertainty of estimates and projections relating to future production, revenue, free cash flow, 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 expected and acceptable costs, including the potential effects of inflation and supply chain disruptions;
- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities (including third-party facilities);
- processing, pipeline and fractionation infrastructure outages, disruptions and constraints;
- risks and uncertainties that may result in changes to the planned expansion and construction of a new facilities at Willesden Green, including the potential for changes to facility design or the timelines for construction prior to finalization or the failure to obtain required governmental and regulatory approvals;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves estimates;
- general business, economic and market conditions;
- the ability to generate sufficient cash from operating activities to fund, or to otherwise finance planned exploration, development and operational activities and meet current and future commitments and obligations (including 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 Indigenous claims and in maintaining relationships with local populations and other stakeholders;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities.

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

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risk Factors" in Paramount's annual information form for the year ended December 31, 2022, which is available on SEDAR+ at www.sedarplus.ca. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, Paramount undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

Certain forward-looking information in this MD&A, including forecast free cash flow in 2023 and 2024, may also constitute a "financial outlook" within the meaning of applicable securities laws. A financial outlook involves statements about Paramount's prospective financial performance or position and is based on and subject to the assumptions and risk factors described above in respect of forward-looking information generally as well as any other specific assumptions and risk factors in relation to such financial outlook noted in this MD&A. Such assumptions are based on management's assessment of the relevant information currently available and any financial outlook included in this MD&A is provided for the purpose of helping readers understand Paramount's current expectations and plans for the future. Readers are cautioned that reliance on any financial outlook may not be appropriate for other purposes or in other circumstances and that the risk factors described above or other factors may cause actual results to differ materially from any financial outlook.

Oil and Gas Measures and Definitions

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

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

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

This MD&A contains disclosures expressed as "Boe", "$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the nine months ended September 30, 2023, the value ratio between crude oil and natural gas was approximately 35:1. 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)
For the three and nine months ended September 30, 2023

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
($ millions)

As at	Note	September 30 2023	December 31 2022
ASSETS			
Current assets			
Cash and cash equivalents	14	43.1	2.5
Accounts receivable		170.0	223.2
Risk management – current	11	2.7	19.7
Prepaid expenses and other		16.0	9.1
Assets held for sale	3	–	251.7
		231.8	506.2
Investments in securities	4	577.5	557.1
Risk management – long-term	11	2.3	2.9
Exploration and evaluation	2	543.3	485.7
Property, plant and equipment, net	3	2,732.3	2,456.3
Deferred income tax		217.9	329.1
		4,305.1	4,337.3
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		270.2	229.9
Risk management – current	11	3.8	9.8
Asset retirement obligations and other – current	6	40.7	40.7
Liabilities associated with assets held for sale	3	–	2.0
		314.7	282.4
Long-term debt	5	–	159.4
Risk management – long-term	11	0.7	–
Asset retirement obligations and other – long-term	6	525.2	517.4
		840.6	959.2
Commitments and contingencies	16		
Shareholders' equity			
Share capital	7	2,293.6	2,267.1
Retained earnings		571.7	517.6
Reserves	8	599.2	593.4
		3,464.5	3,378.1
		4,305.1	4,337.3

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

($ millions, except as noted)

	Note	Three months ended September 30 2023	Three months ended September 30 2022	Nine months ended September 30 2023	Nine months ended September 30 2022
Petroleum and natural gas sales		463.8	618.9	1,328.0	1,654.8
Royalties		(75.2)	(89.4)	(185.5)	(250.9)
Sales of commodities purchased		42.1	77.9	204.9	169.3
Revenue	12	430.7	607.4	1,347.4	1,573.2
Gain (loss) on risk management contracts	11	(12.1)	2.4	(0.3)	(190.8)
		418.6	609.8	1,347.1	1,382.4
Expenses					
Operating expense		113.9	110.0	327.4	287.9
Transportation and NGLs processing		31.2	34.4	101.2	96.5
Commodities purchased		39.2	76.4	202.8	166.6
General and administrative		11.8	9.7	38.9	29.2
Share-based compensation	9	4.4	3.2	15.7	12.2
Depletion and depreciation	3	87.0	88.0	270.1	190.8
Exploration and evaluation	2	3.1	3.0	8.1	25.9
Gain on sale of oil and gas assets	3	(0.5)	(0.4)	(122.9)	(1.9)
Interest and financing		1.7	3.3	4.5	8.6
Accretion of asset retirement obligations	6	10.9	11.4	32.5	33.3
Other	13	–	(5.0)	(0.2)	(4.1)
		302.7	334.0	878.1	845.0
Income before tax		115.9	275.8	469.0	537.4
Income tax expense					
Deferred	10	28.7	53.9	110.8	116.6
		28.7	53.9	110.8	116.6
Net income		87.2	221.9	358.2	420.8
Other comprehensive income (loss), net of tax	8				
Items that will be reclassified to net income					
Change in fair value of cash flow hedges, net of tax		(2.7)	3.1	(3.0)	15.4
Reclassification to net income, net of tax		(1.2)	(0.2)	(3.4)	(0.6)
Items that will not be reclassified to net income					
Change in fair value of securities, net of tax	4	77.7	(15.4)	17.9	115.2
Comprehensive income		161.0	209.4	369.7	550.8
Net income per common share ($/share)	7				
Basic		0.61	1.57	2.51	2.99
Diluted		0.59	1.51	2.42	2.87

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

($ millions)

		Three months ended September 30		Nine months ended September 30	
	Note	2023	2022	2023	2022
Operating activities					
Net income		87.2	221.9	358.2	420.8
Add (deduct):					
Items not involving cash	14	144.2	109.7	312.9	400.9
Asset retirement obligations settled	6	(14.0)	(10.2)	(41.8)	(29.0)
Change in non-cash working capital		(9.8)	(72.5)	21.8	(49.8)
Cash from operating activities		207.6	248.9	651.1	742.9
Financing activities					
Net draw (repayment) of revolving long-term debt	5	–	77.9	(161.8)	(82.0)
Lease liabilities – principal repayments	6	(0.8)	(1.8)	(3.2)	(5.7)
Dividends	7	(53.8)	(42.6)	(304.1)	(110.5)
Common Shares issued, net of issue costs	7	2.7	0.2	9.2	13.5
RSU plan	9	–	–	(8.8)	(17.2)
Cash from (used in) financing activities		(51.9)	33.7	(468.7)	(201.9)
Investing activities					
Capital expenditures	2,3	(198.9)	(184.3)	(523.2)	(485.5)
Land and property acquisitions	2,3	(8.9)	(65.5)	(61.1)	(132.5)
Proceeds of disposition	2,3	0.7	2.2	373.0	54.1
Investments	4	–	(1.7)	–	(1.7)
Change in non-cash working capital		55.9	(31.1)	69.9	26.8
Cash used in investing activities		(151.2)	(280.4)	(141.4)	(538.8)
Net increase		4.5	2.2	41.0	2.2
Foreign exchange on cash and cash equivalents		–	(1.2)	(0.4)	(1.7)
Cash and cash equivalents, beginning of period		38.6	1.2	2.5	1.7
Cash and cash equivalents, end of period		43.1	2.2	43.1	2.2

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)

Nine months ended September 30	Note	2023		2022	
		Shares (millions)		*Shares (millions)*	
Share capital					
Balance, beginning of period		*142.0*	2,267.1	*139.2*	2,251.9
Issued on exercise of Paramount Options	7,9	*1.0*	12.2	*1.3*	17.7
Change in Common Shares for RSU plan	9	*0.4*	14.3	*0.7*	(6.7)
Balance, end of period		*143.4*	2,293.6	*141.2*	2,262.9
Retained earnings (accumulated deficit)					
Balance, beginning of period			517.6		(15.5)
Net income			358.2		420.8
Dividends	7		(304.1)		(110.5)
Reclassification of accumulated gain on securities	4		–		12.9
Balance, end of period			571.7		307.7
Reserves	8				
Balance, beginning of period			593.4		370.0
Other comprehensive income			11.5		130.0
Contributed surplus			(5.7)		2.4
Reclassification of accumulated gain on securities	4		–		(12.9)
Balance, end of period			599.2		489.5
Shareholders' equity			3,464.5		3,060.1

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-rich natural gas focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas. The Company also pursues longer-term strategic exploration and pre-development plays and holds a portfolio of investments in other entities. Paramount's principal properties are located in Alberta and British Columbia.

Paramount is the ultimate parent company of a consolidated group of companies and is incorporated and domiciled in Canada. The address of its registered office is Suite 4700, 888 – 3rd Street SW, Calgary, Alberta T2P 5C5. The consolidated group includes wholly-owned subsidiaries Fox Drilling Limited Partnership, Cavalier Energy Inc. and MGM Energy. The financial statements of Paramount's subsidiaries and partnerships are prepared for the same reporting periods as the parent in accordance with the Company's accounting policies. Intercompany balances and transactions have been eliminated.

These unaudited interim condensed consolidated financial statements of the Company, as at and for the three and nine months ended September 30, 2023 (the "Interim Financial Statements"), were authorized for issuance by the Audit Committee of Paramount's Board of Directors on November 1, 2023.

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, 2022 (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

	Nine months ended September 30, 2023	Twelve months ended December 31, 2022
Balance, beginning of period	485.7	539.9
Additions	–	0.4
Acquisitions	59.0	34.7
Change in asset retirement provision	0.3	(0.2)
Transfers to property, plant and equipment	(0.8)	(33.1)
Expired lease costs	(0.7)	(21.8)
Dispositions	(0.2)	(0.2)
Transfer to assets held for sale (see Note 3)	–	(34.0)
Balance, end of period	543.3	485.7

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

Exploration and Evaluation Expense

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Geological and geophysical expense	2.8	2.3	7.4	6.8
Expired lease costs	0.3	0.7	0.7	19.1
	3.1	3.0	8.1	25.9

At September 30, 2023, 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

Nine months ended September 30, 2023	Petroleum and natural gas assets	Drilling rigs	Right-of-use assets	Other	Total
Cost					
Balance, beginning of period	4,657.3	153.0	24.8	59.5	4,894.6
Additions	506.5	14.7	13.7	6.5	541.4
Acquisitions	2.4	–	–	–	2.4
Transfers	(2.2)	3.0	–	–	0.8
Dispositions	(1.2)	–	(1.5)	–	(2.7)
Derecognition	–	–	(8.3)	(12.6)	(20.9)
Change in asset retirement provision	3.0	–	–	–	3.0
Cost, end of period	5,165.8	170.7	28.7	53.4	5,418.6
Accumulated depletion and depreciation					
Balance, beginning of period	(2,298.3)	(86.8)	(14.9)	(38.3)	(2,438.3)
Depletion and depreciation	(255.5)	(8.7)	(2.8)	(3.6)	(270.6)
Dispositions	0.2	–	1.5	–	1.7
Derecognition	–	–	8.3	12.6	20.9
Accumulated depletion and depreciation	(2,553.6)	(95.5)	(7.9)	(29.3)	(2,686.3)
Net book value, December 31, 2022	2,359.0	66.2	9.9	21.2	2,456.3
Net book value, September 30, 2023	2,612.2	75.2	20.8	24.1	2,732.3

In December 2022, Paramount entered into an agreement to sell its Kaybob Smoky and Kaybob South Duvernay properties and certain other minor interests in the Kaybob region, all of which were included in the Kaybob cash-generating unit. The assets and liabilities associated with the sale were presented as held for sale at December 31, 2022. The transaction closed in January 2023. Paramount received cash proceeds of $370.2 million on the sale, resulting in a $120.6 million gain on sale of oil and gas assets.

Depletion and Depreciation

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Depletion and depreciation	89.6	90.8	266.5	235.1
Change in asset retirement obligations	(2.6)	1.5	3.6	(33.8)
Alberta site rehabilitation program funding	–	(4.3)	–	(10.5)
	87.0	88.0	270.1	190.8

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

For the nine months ended September 30, 2023, the Company recorded a charge of $3.6 million (September 30, 2022 – a recovery of $33.8 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 2023, the changes resulted from revisions to the estimated retirement costs. The changes in 2022 were mainly due to revisions in the credit-adjusted risk-free rate used to discount obligations.

At September 30, 2023, the Company assessed its property, plant and equipment assets for indicators of potential impairment and none were identified.

4. Investments in Securities

As at	September 30, 2023	December 31, 2022
Level one fair value hierarchy securities	496.2	477.3
Level three fair value hierarchy securities	81.3	79.8
	577.5	557.1

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 fair value hierarchy securities ("Level One Securities") are carried at their period-end trading prices. Estimates of fair values for investments that are categorized as level three fair value hierarchy securities ("Level Three Securities") are based on valuation techniques that incorporate unobservable inputs. These valuation techniques utilize market-based metrics of comparable companies and transactions, indicators of value based on equity transactions of the entities and other indicators of value including financial and operating results of the entities. Fair value estimates of Level Three Securities are updated at each balance sheet date to confirm whether the carrying value of the investment continues to fall within a range of possible fair values indicated by such techniques.

Level One Securities at September 30, 2023 included 37.3 million common shares of NuVista Energy Ltd. (December 31, 2022 - 37.3 million common shares), which had a carrying value of $484.3 million (December 31, 2022 - $464.9 million).

For the three and nine months ended September 30, 2023, the Company recorded $87.9 million and $20.4 million, respectively, before tax, to other comprehensive income ("OCI") related to changes in the fair value estimates of investments in securities.

In 2022, Paramount sold a portion of its Level One and Level Three Securities for aggregate proceeds of $56.8 million, resulting in $12.9 million of accumulated gains, net of tax, being reclassified from reserves to retained earnings.

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

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

	Nine months ended September 30, 2023	Twelve months ended December 31, 2022
Investments in securities, beginning of period	557.1	372.1
Changes in fair value of Level One Securities	18.7	222.4
Changes in fair value of Level Three Securities	1.7	12.9
Changes in fair value of warrants – recorded in earnings	–	0.4
Acquired – cash	–	1.8
Acquired – non-cash	–	4.3
Proceeds of dispositions – cash	–	(52.8)
Proceeds of dispositions – non-cash	–	(4.0)
Investments in securities, end of period	577.5	557.1

5. Long-Term Debt

As at	September 30, 2023	December 31, 2022
Paramount Facility (1)	–	159.4

(1) Presented net of $2.4 million in unamortized transaction costs at December 31, 2022.

Paramount Facility

The Company has a $1.0 billion financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility"). The maturity date of the Paramount Facility is May 3, 2026. At Paramount's request, the credit limit of the Paramount Facility can be increased by up to $250 million pursuant to an accordion feature in the facility, subject to incremental lender commitments.

Paramount was in compliance with the financial covenants under the Paramount Facility at September 30, 2023.

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling $2.0 million at September 30, 2023 (December 31, 2022 – $2.2 million) that reduce the amount available to be drawn on the facility.

For additional information concerning the Paramount Facility, refer to Note 8 of the Annual Financial Statements.

Unsecured Letter of Credit Facility

The Company has a $90 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank. Paramount’s obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada. The PSG is valid to June 30, 2025. At September 30, 2023, $26.8 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2022 – $24.2 million).

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

6. Asset Retirement Obligations and Other

As at September 30, 2023	Current	Long-term	Total
Asset retirement obligations	37.7	499.3	537.0
Lease liabilities	3.0	25.9	28.9
Asset retirement obligations and other	**40.7**	**525.2**	**565.9**

As at December 31, 2022	Current	Long-term	Total
Asset retirement obligations	37.7	502.4	540.1
Lease liabilities	3.0	15.0	18.0
Asset retirement obligations and other	**40.7**	**517.4**	**558.1**

Asset Retirement Obligations

	Nine months ended September 30, 2023	Twelve months ended December 31, 2022
Asset retirement obligations, beginning of period	540.1	651.1
Additions	0.8	4.7
Change in estimates	5.5	(16.3)
Change in discount rate	–	(95.7)
Obligations settled – cash	(41.8)	(36.1)
Obligations settled – funding under Alberta site rehabilitation program	–	(10.0)
Dispositions	(0.1)	(0.5)
Transfer to liabilities associated with assets held for sale (see Note 3)	–	(2.0)
Accretion expense	32.5	44.9
Asset retirement obligations, end of period	**537.0**	540.1

As at September 30, 2023, estimated undiscounted, uninflated asset retirement obligations were $1,278.0 million (December 31, 2022 – $1,296.0 million). Asset retirement obligations have been determined using a credit-adjusted risk-free discount rate of 8.5 percent per annum (December 31, 2022 – 8.5 percent per annum) and an inflation rate of 2.0 percent per annum (December 31, 2022 – 2.0 percent per annum).

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 nine months ended September 30, 2023, total cash principal payments made in respect of these lease liabilities, net of sublease arrangements, were $3.2 million (September 30, 2022 – $5.7 million).

For the nine months ended September 30, 2023, 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 $1.5 million (September 30, 2022 – $1.9 million).

At September 30, 2023, $3.3 million was receivable by the Company relating to lease incentives (December 31, 2022 – $6.3 million). For the nine months ended September 30, 2023, $0.5 million (September 30, 2022 – $1.8 million) was received in respect of office sublease arrangements.

7. Share Capital

At September 30, 2023, 143.4 million (December 31, 2022 – 142.0 million) class A common shares of Paramount ("Common Shares") were outstanding, net of 0.4 million (December 31, 2022 – 0.8 million) Common Shares held in trust under the Company's restricted share unit ("RSU") plan.

For the nine months ended September 30, 2023, the Company paid total dividends of $304.1 million (September 30, 2022 – $110.5 million) comprised of a special cash dividend of $1.00 per Common Share or $142.9 million and regular monthly dividends totaling $1.125 per Common Share or $161.2 million. On October 31, 2023, the Company paid a regular monthly dividend of $18.0 million, or $0.125 per Common Share.

In July 2023, Paramount implemented a normal course issuer bid (the "2023 NCIB") under which the Company may purchase up to 7.7 million Common Shares for cancellation. The 2023 NCIB will terminate on the earlier of July 5, 2024 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2023 NCIB are purchased. Purchases of Common Shares under the NCIB will be made through the facilities of the Toronto Stock Exchange or alternative Canadian trading systems at the market price at the time of purchase. The Company has not made any purchases of Common Shares under the 2023 NCIB to date.

Paramount previously implemented a normal course issuer bid in June 2022 (the "2022 NCIB"). No shares were purchased under the 2022 NCIB, which expired on June 29, 2023.

For the nine months ended September 30, 2023, Paramount issued 1.0 million Common Shares on the exercise of options to acquire Common Shares ("Paramount Options") (see Note 9).

Net Income Per Common Share – Basic and Diluted

	Three months ended September 30		Nine months ended September 30	
	2023	**2022**	**2023**	**2022**
Net income – basic and diluted	**87.2**	221.9	**358.2**	420.8
Basic – weighted average shares (millions)	**143.3**	141.3	**142.8**	140.5
Dilutive effect of Paramount Options	**5.3**	5.9	**5.5**	6.4
Diluted – weighted average shares (millions)	**148.6**	147.2	**148.3**	146.9
Net income per common share – basic ($/share)	**0.61**	1.57	**2.51**	2.99
Net income per common share – diluted ($/share)	**0.59**	1.51	**2.42**	2.87

Paramount Options can be exchanged for Common Shares, are potentially dilutive and are included in the diluted per share calculations when they are dilutive to net income per share. Common Shares held in trust under the Company's RSU plan are not included in the calculation of weighted average shares outstanding.

For the three and nine months ended September 30, 2023, 2.6 million Paramount Options were anti-dilutive (three and nine months ended September 30, 2022 – 0.3 million Paramount Options were anti-dilutive).

8. Reserves

Nine months ended September 30, 2023	Unrealized gains (losses) on cash flow hedges	Unrealized gains on securities	Contributed surplus	Total reserves
Balance, beginning of period	8.3	399.9	185.2	**593.4**
Other comprehensive income (loss), before tax	(8.4)	20.4	–	**12.0**
Deferred tax	2.0	(2.5)	–	**(0.5)**
Share-based compensation (see Note 9)	–	–	(2.8)	**(2.8)**
Paramount Options exercised	–	–	(2.9)	**(2.9)**
Balance, end of period	**1.9**	**417.8**	**179.5**	**599.2**

9. Share-Based Compensation

Paramount Options

	Nine months ended September 30, 2023		Twelve months ended December 31, 2022	
	Paramount Options (millions)	Weighted average exercise price ($/share)	*Paramount Options (millions)*	Weighted average exercise price ($/share)
Balance, beginning of period	***11.3***	**13.55**	*11.0*	9.55
Granted	***0.2***	**29.58**	*2.5*	28.65
Exercised (1)	***(1.0)***	**8.64**	*(2.1)*	10.73
Cancelled or forfeited	***(0.1)***	**19.94**	*(0.1)*	10.90
Balance, end of period	***10.4***	**14.28**	*11.3*	13.55
Options exercisable, end of period	***2.0***	**8.09**	*3.1*	8.28

(1) For Paramount Options exercised during the nine months ended September 30, 2023, the weighted average market price of Common Shares on the dates exercised was $30.98 per share (twelve months ended December 31, 2022 - $30.12 per share).

Restricted Share Unit Plan – Shares Held in Trust

	Nine months ended September 30, 2023		Twelve months ended December 31, 2022	
	Shares (millions)		*Shares (millions)*	
Balance, beginning of period	***0.8***	**16.2**	*1.5*	3.5
Net change in vested and unvested shares	***(0.4)***	**(14.3)**	*(0.7)*	12.7
Balance, end of period	***0.4***	**1.9**	*0.8*	16.2

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

10. Income Tax

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

	Three months ended September 30		Nine months ended September 30	
	2023	**2022**	**2023**	**2022**
Income before tax	**115.9**	275.8	**469.0**	537.4
Effective statutory income tax rate	**23.0%**	23.0%	**23.0%**	23.0%
Expected income tax expense	**26.7**	63.4	**107.9**	123.6
Effect on income taxes of:				
Change in statutory and other rates	**0.1**	0.1	**0.1**	0.9
Share-based compensation	**0.7**	0.6	**2.1**	1.5
Change in unrecognized deferred income tax asset	**(0.2)**	(10.5)	**(0.8)**	(10.0)
Non-deductible items and other	**1.4**	0.3	**1.5**	0.6
Income tax expense	**28.7**	53.9	**110.8**	116.6

11. Financial Instruments and Risk Management

Financial Instruments

Financial instruments at September 30, 2023 consist of cash and cash equivalents, accounts receivable, risk management assets and liabilities, investments in securities, accounts payable and the Paramount Facility. The carrying values of these financial instruments approximate their fair values.

Risk Management

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

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

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

Changes in the fair value of risk management assets and liabilities for the nine months ended September 30, 2023 are as follows:

Nine months ended September 30, 2023	Financial commodity contracts	Foreign currency exchange contracts	Electricity swaps	Total
Fair value of asset (liability), December 31, 2022	11.8	(9.8)	10.8	12.8
Changes in fair value – profit or loss (1)	5.1	(5.4)	–	(0.3)
Changes in fair value – OCI	–	–	(3.9)	(3.9)
Risk management contract settlements (received) paid (2)	(14.5)	10.8	(4.4)	(8.1)
Fair value of asset (liability), September 30, 2023	2.4	(4.4)	2.5	0.5
Risk management asset – current	0.1	–	2.6	2.7
Risk management asset – long-term	2.3	–	–	2.3
Risk management asset, September 30, 2023	2.4	–	2.6	5.0
Risk management liability – current	–	(3.8)	–	(3.8)
Risk management liability – long-term	–	(0.6)	(0.1)	(0.7)
Risk management liability, September 30, 2023	–	(4.4)	(0.1)	(4.5)

(1) Changes in fair value of ($0.3) million related to financial commodity and foreign currency exchange contracts are recorded as a loss on risk management contracts.
(2) Net receipts on risk management contract settlements related to financial commodity and foreign currency exchange contracts totaled $3.7 million. Risk management contract settlements relating to electricity swap contracts are recorded in operating expense.

The Company had the following risk management contracts as at September 30, 2023:

Instruments	Aggregate amount / notional	Average price or rate	Remaining term
***Financial Commodity Contracts* (1)**			
Oil			
NYMEX WTI Swaps (Sale)	5,000 Bbl/d	CAD$110.05/Bbl	January 2024 – December 2024
Foreign Currency Exchange Contracts			
Swaps (Sale)	US$40 million / month	1.3427 CAD$/US$1.00	October 2023 – December 2023
Swaps (Sale)	US$30 million / month	1.3433 CAD$/US$1.00	January 2024 – June 2024
Swaps (Sale)	US$30 million / month	1.3462 CAD$/US$1.00	July 2024 – December 2024
***Electricity Contracts* (2)**			
Swaps (Sale)	240 MWh/d	$84.00/MWh	October 2023 – December 2023
Swaps (Sale)	240 MWh/d	$66.13/MWh	January 2024 – December 2024
Swaps (Sale)	240 MWh/d	$71.13/MWh	January 2025 – December 2025

(1) "NYMEX" means New York Mercantile Exchange and "WTI" means West Texas Intermediate.
(2) Reference electricity rate: Floating hourly rate established by the Alberta Electric System Operator. "MWH" means megawatt-hour.

In the third quarter of 2023, the Company entered into a floating-to-fixed electricity price swap on 120 MWh/d of electricity, which was designated as a cash flow hedge, to manage exposure to variable market prices by fixing the underlying AESO Pool Price on a portion of the Company's anticipated power requirements for 2025.

The Company has classified all of its electricity swaps as cash flow hedges and applied hedge accounting. There were no changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified at September 30, 2023.

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

Subsequent to September 30, 2023, Paramount terminated and closed out the entirety of its 5,000 Bbl/d in NYMEX WTI Swaps (CAD$110.05/Bbl, January 2024 to December 2024) for aggregate cash proceeds of $13.2 million and also entered into the following financial commodity contracts:

Instruments	Aggregate amount / notional	Average price or rate	Remaining term
Oil			
NYMEX WTI Swaps (Sale) [(1)]	10,000 Bbl/d	CAD$109.50/Bbl	January 2024 – December 2024

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

12. Revenue By Product

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Natural gas	79.3	185.7	265.5	476.9
Condensate and oil	362.9	401.8	1,000.5	1,073.8
Other natural gas liquids	20.5	28.9	59.8	86.9
Royalty income and other revenue	1.1	2.5	2.2	17.2
Royalties	(75.2)	(89.4)	(185.5)	(250.9)
Sales of commodities purchased	42.1	77.9	204.9	169.3
	430.7	607.4	1,347.4	1,573.2

Royalty income and other revenue for the three and nine months ended September 30, 2022 includes $nil and $11.9 million, respectively, related to a business interruption insurance claim.

13. Other

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Provisions	–	0.4	2.5	2.0
Interest income	(0.4)	–	(2.8)	–
Other	0.4	(5.4)	0.1	(6.1)
	–	(5.0)	(0.2)	(4.1)

14. Consolidated Statement of Cash Flows – Selected Information

Items Not Involving Cash

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Risk management contracts	12.3	(46.8)	4.0	34.9
Share-based compensation	4.4	3.2	15.7	12.2
Depletion and depreciation	87.0	88.0	270.1	190.8
Exploration and evaluation	0.3	0.7	0.7	19.1
Gain on sale of oil and gas assets	(0.5)	(0.4)	(122.9)	(1.9)
Accretion of asset retirement obligations	10.9	11.4	32.5	33.3
Deferred income tax	28.7	53.9	110.8	116.6
Other	1.1	(0.3)	2.0	(4.1)
	144.2	109.7	312.9	400.9

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

Supplemental Cash Flow Information

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Interest paid	0.3	3.2	0.6	10.8
Interest received	0.4	–	2.8	–

Components of Cash and Cash Equivalents

As at	September 30, 2023	December 31, 2022
Cash	43.1	2.5
Cash equivalents	–	–
	43.1	2.5

15. Capital Structure

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

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

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

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

iii. maximize shareholder returns considering the risk environment.

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

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

Net (Cash) Debt

Net (cash) debt, in conjunction with capacity under existing credit facilities, is used to monitor and assess liquidity by providing Management and investors with a measure of the Company's overall leverage position. The label of this capital management measure has been revised from the previous label of net debt to allow for the description of negative amounts as net (cash).

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

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

As at	September 30, 2023	December 31, 2022
Cash and cash equivalents	(43.1)	(2.5)
Accounts receivable [(1)]	(166.7)	(216.5)
Prepaid expenses and other	(16.0)	(9.1)
Accounts payable and accrued liabilities	270.2	229.9
Long-term debt	–	159.4
Net (cash) debt	44.4	161.2

(1) Excludes accounts receivable relating to lease incentives and subleases (September 30, 2023 – $3.3 million, December 31, 2022 – $6.7 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 September 30		Nine months ended September 30	
	2023	2022	2023	2022
Cash from operating activities	207.6	248.9	651.1	742.9
Change in non-cash working capital	9.8	72.5	(21.8)	49.8
Geological and geophysical expense	2.8	2.3	7.4	6.8
Asset retirement obligations settled	14.0	10.2	41.8	29.0
Closure costs	–	–	–	–
Provisions	–	0.4	2.5	2.0
Settlements	–	–	–	–
Transaction and reorganization costs	–	–	–	–
Adjusted funds flow	234.2	334.3	681.0	830.5

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.

As at	September 30, 2023	December 31, 2022
Net (cash) debt	44.4	161.2
Adjusted funds flow, trailing four quarters	1,021.7	1,171.0
Net debt to adjusted funds flow ratio	0.0x	0.1x

(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 September 30		Nine months ended September 30	
	2023	2022	2023	2022
Cash from operating activities	207.6	248.9	651.1	742.9
Change in non-cash working capital	9.8	72.5	(21.8)	49.8
Geological and geophysical expense	2.8	2.3	7.4	6.8
Asset retirement obligations settled	14.0	10.2	41.8	29.0
Closure costs	–	–	–	–
Provisions	–	0.4	2.5	2.0
Settlements	–	–	–	–
Transaction and reorganization costs	–	–	–	–
Adjusted funds flow	234.2	334.3	681.0	830.5
Capital expenditures	(198.9)	(184.3)	(523.2)	(485.5)
Geological and geophysical expense	(2.8)	(2.3)	(7.4)	(6.8)
Asset retirement obligations settled	(14.0)	(10.2)	(41.8)	(29.0)
Free cash flow	18.5	137.5	108.6	309.2

16. Commitments and Contingencies

Paramount had the following commitments as at September 30, 2023:

	Within one year	After one year but not more than five years	More than five years
Petroleum and natural gas transportation and processing commitments	241.3	946.8	1,116.2
Other commitments	6.4	9.0	–
	247.7	955.8	1,116.2

In 2023, the Company secured incremental long-term firm-service transportation and processing capacity with third parties.

Commitments – Physical Sales Contracts

The Company had the following basis differential physical contracts at September 30, 2023:

	Volume	Location	Average price	Remaining term
Peace sweet crude oil	3,078 Bbl/d	Peace (1)	WTI – US$3.73/Bbl	October 2023 – December 2023
Natural gas	50,000 MMBtu/d	AECO	NYMEX – US$0.93/MMBtu (2)	October 2023
Natural gas	25,000 MMBtu/d	Dawn	NYMEX – US$0.20/MMBtu (2)	October 2023

(1) Peace refers to the Peace Pipeline at Edmonton.
(2) "NYMEX" refers to NYMEX pricing at Henry Hub.

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

G. W. J. Stotts
Executive Vice President, Development and Reserves

DIRECTORS

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President and Chief Executive Officer and Chairman
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Calgary, Alberta

J. G. M. Bell (1) (3) (4)
President and Chief Executive Officer
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W. A. Gobert (1) (3) (4)
Independent Businessman
Calgary, Alberta

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

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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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AUDITORS

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Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange ("POU")