Second Quarter 2024 Results

Paramount Resources Ltd. Announces Second Quarter 2024 Results

Calgary, Alberta – August 1, 2024

Paramount Resources Ltd. ("Paramount" or the "Company") (TSX:POU) is pleased to announce its second quarter 2024 financial and operating results, highlighted by strong adjusted funds flow and well results at Kaybob North that continue to demonstrate the high quality of the Company's Duvernay position.

HIGHLIGHTS

- Second quarter sales volumes averaged 95,609 Boe/d (48% liquids). [1]
  - Grande Prairie Region sales volumes averaged 63,480 Boe/d (51% liquids), consistent with Paramount's expectations. Sales volumes were restricted by planned maintenance outages and some unplanned downtime at key facilities.
  - Kaybob Region sales volumes increased to 23,946 Boe/d (41% liquids), driven by a new five well Duvernay pad brought onstream at Kaybob North.
  - Central Alberta and Other Region sales volumes averaged 8,183 Boe/d (49% liquids).
  - The continued strong results from Paramount's drilling program at Kaybob North and Willesden Green grew the Company's total Duvernay production in the quarter to an average of approximately 15,000 Boe/d (63% liquids).
  - The Company shut-in a total of 4,600 Boe/d of dry gas production in the quarter due to low natural gas prices.
- First half 2024 sales volumes averaged 98,293 Boe/d (48% liquids), in line with the midpoint of the Company's guidance of 96,000 Boe/d to 100,000 Boe/d (47% liquids).
- Cash from operating activities was $221 million ($1.51 per basic share) in the second quarter. Adjusted funds flow was $266 million ($1.82 per basic share). Free cash flow was $20 million ($0.14 per basic share). [2]

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

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

- Second quarter capital expenditures totaled $241 million. Significant activities included:
  - Grande Prairie Region (Montney) – eleven (11.0 net) wells drilled, four (4.0 net) wells brought on production and the substantial completion of a new compressor node at Wapiti that will support the development of the western portion of the field;
  - Kaybob Region (Duvernay) – five (5.0 net) wells drilled and five (5.0 net) wells brought on production; and
  - Central Alberta and Other Region (Duvernay) – four (4.0 net) wells drilled and the ongoing construction of the Company's second operated natural gas processing plant at Willesden Green.
- Asset retirement obligations settled in the second quarter totaled $2 million.
- As previously disclosed, Paramount sold 6 million shares of its investment in NuVista Energy Ltd. for cash proceeds of $75 million in the second quarter. The carrying value of the Company's investments in securities at June 30, 2024 was $580 million. Paramount received total cash dividends of $8 million in the second quarter from its investments in securities.
- In June 2024, Paramount realized total cash proceeds of $38 million from the termination and close out of all of its then outstanding NYMEX WTI swaps (14,250 Bbl/d at C$111.67/Bbl for the balance of 2024). Paramount has since hedged 5,000 Bbl/d of liquids sales from July 2024 to the end of 2025 at an average WTI price of C$105.00/Bbl.
- Revenue in the second quarter included $10 million related to an initial payment from insurers for 2023 Alberta wildfire losses. The Company continues to advance its insurance claims process.
- At June 30, 2024, net debt was $29 million and Paramount's $1.0 billion revolving credit facility was undrawn. (1)

(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.

GUIDANCE

Paramount is reaffirming its 2024 guidance for sales volumes. The Company currently has approximately 4,600 Boe/d of dry gas production shut-in. The 2024 sales volumes guidance assumes that this production, as well as certain new dry gas production, is brought online in the fourth quarter. If natural gas prices do not improve later in the year, as anticipated, the Company may choose to defer bringing this production online. In such a case, Paramount anticipates that 2024 sales volumes would be at the lower end of the forecast range.

The Company is reaffirming its 2024 guidance for capital expenditures and abandonment and reclamation expenditures.

Paramount is updating its forecast of 2024 free cash flow from $205 million to $100 million to reflect first half results and revised natural gas price assumptions for the second half of 2024 of US$2.50/MMBtu NYMEX and $1.50/GJ AECO (previously US$3.50/MMBtu NYMEX and $2.84/GJ AECO). Assumed WTI pricing for the second half of 2024 remains unchanged at US$80.00/Bbl.

	2024 Guidance
Annual average sales volumes (Boe/d)	100,000 to 106,000 (48% liquids)
Third quarter 2024 (Boe/d)	96,000 to 104,000 (49% liquids)
Fourth quarter 2024 (Boe/d)	109,000 to 121,000 (48% liquids)
Capital expenditures	$830 to $890 million
Sustaining and Maintenance	$415 to $445 million
Growth	$415 to $445 million
Abandonment and reclamation expenditures	$40 million
Free cash flow (1)	$100 million

The Company's midpoint 2024 sustaining and maintenance capital program, abandonment and reclamation expenditures and regular monthly dividend would remain fully funded down to an average WTI price for the second half of 2024 of about US$56/Bbl, assuming no changes to the other forecast assumptions.

AUGUST DIVIDEND

Paramount's Board of Directors has declared a cash dividend of $0.15 per class A common share that will be payable on August 30, 2024 to shareholders of record on August 15, 2024. 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 the "Specified Financial Measures" section 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) $10 million in geological and geophysical expenses, (iv) realized pricing of $51.45/Boe; (v) a $US/$CAD exchange rate of $0.736, (vi) royalties of $7.55/Boe, (vii) operating costs of $13.30/Boe and (vii) transportation and NGLs processing costs of $3.55/Boe. The stated amounts have been adjusted to incorporate actual results for the first half of 2024.

REVIEW OF OPERATIONS

GRANDE PRAIRIE REGION

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

	Q2 2024		Q1 2024		% Change
Sales Volumes					
Natural gas (MMcf/d)	**187.3**		201.8		*(7)*
Condensate and oil (Bbl/d)	**28,083**		29,202		*(4)*
Other NGLs (Bbl/d)	**4,179**		4,334		*(4)*
Total (Boe/d)	**63,480**		67,163		*(5)*
% liquids	***51%***		*50%*		
Netback (1)	($ millions)	*($/Boe)*	($ millions)	*($/Boe)*	*Change in $ millions (%)*
Natural gas revenue (2)	**28.5**	**1.67**	53.0	2.89	*(46)*
Condensate and oil revenue	**264.9**	**103.63**	248.0	93.32	*7*
Other NGLs revenue	**12.8**	**33.77**	15.7	39.70	*(18)*
Petroleum and natural gas sales	**306.2**	**53.01**	316.7	51.81	*(3)*
Royalties	**(56.9)**	**(9.86)**	(50.8)	(8.32)	*12*
Operating expense	**(82.6)**	**(14.29)**	(80.1)	(13.11)	*3*
Transportation and NGLs processing	**(21.9)**	**(3.80)**	(22.6)	(3.69)	*(3)*
	144.8	**25.06**	163.2	26.69	*(11)*

(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.

Second quarter 2024 sales volumes in the Grande Prairie Region were consistent with Paramount's expectations, averaging 63,480 Boe/d (51% liquids) compared to 67,163 Boe/d (50% liquids) in the first quarter. Although field deliverability has been enhanced as a result of the previously disclosed well optimization program, second quarter sales volumes were restricted by planned maintenance outages at two third-party natural gas processing facilities. Sales volumes were further restricted by start-up issues and unplanned downtime at one of these plants, which have since been largely resolved.

The well optimization program that was initiated in the first quarter is ongoing and has resulted in improved deliverability. There are currently 11 wells that the Company believes could benefit from intervention in the Grande Prairie Region. The magnitude of incremental contribution from these wells is expected to be less as the Company focused on the highest impact wells first.

Development activities in the Grande Prairie Region in the second quarter included the drilling of eleven (11.0 net) Montney wells, the completion of eleven (11.0 net) Montney wells and the bringing onstream of four (4.0 net) Montney wells. The construction of a new compressor node in the western portion of the Wapiti field was concluded and commissioned in July, approximately one month ahead of schedule. This has allowed the Company to bring a new seven (7.0 net) well Montney pad on production earlier than forecast. The pad has been brought on at restricted rates, initially through temporary equipment and more recently through permanent facilities.

Paramount plans to drill a total of 16 (16.0 net) Montney wells and bring on production a total of 27 (27.0 net) Montney wells in the Grande Prairie Region in the second half of 2024. As previously disclosed, third quarter sales volumes will be impacted by a planned 21-day full outage at the Wapiti natural gas processing plant.

KAYBOB REGION

Kaybob Region sales volumes averaged 23,946 Boe/d (41% liquids) in the second quarter of 2024 compared to 22,353 Boe/d (42% liquids) in the first quarter. Sales volumes increased as a result of new well production from a five (5.0 net) well Kaybob North Duvernay pad that came on production part way through the second quarter. The shut-in of certain dry gas wells due to low natural gas prices partially offset production contributions from this pad. In light of low natural gas pricing, Paramount shut-in 1,800 Boe/d of Kaybob Region dry gas production in the second quarter and does not expect to bring this production back on until late 2024 when prices are forecast to improve.

Development activities in the second quarter included the drilling of five (5.0 net) Duvernay wells and the completion and bringing on production of a five (5.0 net) well Duvernay pad at Kaybob North.

Initial production from the five well Duvernay pad brought onstream at Kaybob North in the second quarter averaged gross 30-day peak production per well of 1,028 Boe/d (1.1 MMcf/d of shale gas and 853 Bbl/d of NGLs) with an average CGR of 814 Bbl/MMcf. [(1)] The wells on this pad have been flowing at restricted rates due to facility constraints.

Paramount plans to drill five (5.0 net) Duvernay wells and bring on production six (6.0 net) Duvernay wells at Kaybob North in the second half of 2024.

CENTRAL ALBERTA AND OTHER REGION

Central Alberta and Other Region sales volumes averaged 8,183 Boe/d (49% liquids) in the second quarter of 2024 compared to 11,461 Boe/d (44% liquids) in the first quarter. In the second quarter, the Company shut-in approximately 2,800 Boe/d of dry gas production in northeast British Columbia due to low natural gas prices.

Paramount finished the drilling of a new six (6.0 net) well Duvernay pad in Willesden Green in the second quarter. The Company plans to complete and bring onstream three of these wells in the third quarter and the remaining three wells in 2025 when sufficient processing capacity is expected to be available.

The construction of the Company's second operated natural gas processing plant in the Willesden Green area is ongoing. Paramount continues to anticipate start-up of the plant in the fourth quarter of 2025.

The Company plans to drill five (5.0 net) Duvernay wells and bring on production three (3.0 net) Duvernay wells at Willesden Green in the second half of 2024. Third quarter sales volumes will be impacted by the planned shut-in of certain legacy wells on the Willesden Green Duvernay 04-07 pad for two weeks as completion operations are conducted on three new wells on this pad. The Company capitalized on this planned downtime by taking a 9-day full outage of the Company’s Leafland natural gas processing plant to conduct preventative maintenance and minor repair work.

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(1) 30-day peak production is the highest daily average production rate for each well, measured at the wellhead, over a rolling 30-day period, excluding days when the well 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. Natural gas sales volumes were lower by approximately 15% and liquids sales volumes were lower by approximately 12% due to shrinkage. In addition, certain liquids entrained in the natural gas stream are only recovered once processed and therefore final sales volumes cannot be imputed from wellhead volumes and shrinkage estimates alone.

HEDGING

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

	Q3 2024	Q4 2024	2025	Average Price (1)
Oil				
NYMEX WTI Swaps (Sale) (Bbl/d)	5,000	5,000	5,000	C$105.00/Bbl
Natural gas				
AECO – Basis (Physical Sale) (MMBtu/d)	40,000	13,478	–	NYMEX less US$0.93/MMBtu (2)
Malin / Citygate Basis Swap (Sale) (MMBtu/d)	10,000	10,000	10,000	Citygate less US$1.03/MMBtu (3)
Foreign Currency Exchange				
Swaps (Sale) (US$ million / month)	$30	$30	–	1.3462 C$ / US$

(1) Average price is calculated using a weighted average of notional volumes and prices.
(2) "NYMEX" means NYMEX pricing at Henry Hub. The contract has a notional volume of 40,000 MMBtu/d for a term of July 2024 to October 2024.
(3) "Malin" refers to Pacific Gas & Electric at Malin and "Citygate" refers to Pacific Gas & Electric Citygate. The term of this contract is July 2024 to October 2027.

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 second quarter 2024 results, including Management's Discussion and Analysis and the Company's Interim 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.

For further information, please contact:

Paramount Resources Ltd.
J.H.T. (Jim) Riddell, President and Chief Executive Officer and Chairman
Paul R. Kinvig, Chief Financial Officer
Rodrigo (Rod) Sousa, Executive Vice President, Corporate Development and Planning
www.paramountres.com
Phone: (403) 290-3600

FINANCIAL AND OPERATING RESULTS [1]

($ millions, except as noted)	Q2 2024		Q1 2024		Q2 2023	
Net income	**84.5**		68.1		**74.2**	
per share – basic ($/share)	***0.58***		*0.47*		***0.52***	
per share – diluted ($/share)	***0.57***		*0.46*		***0.50***	
Cash from operating activities	**220.5**		201.3		**172.2**	
per share – basic ($/share)	***1.51***		*1.39*		***1.20***	
per share – diluted ($/share)	***1.47***		*1.35*		***1.16***	
Adjusted funds flow	**266.2**		225.6		**178.7**	
per share – basic ($/share)	***1.82***		*1.56*		***1.25***	
per share – diluted ($/share)	***1.78***		*1.52*		***1.21***	
Free cash flow	**20.3**		(9.5)		**30.5**	
per share – basic ($/share)	***0.14***		*(0.07)*		***0.21***	
per share – diluted ($/share)	***0.14***		*(0.07)*		***0.21***	
Total assets	**4,589.2**		4,458.9		**4,106.6**	
Investments in securities	**579.5**		568.6		**489.9**	
Long-term debt	**–**		–		**–**	
Net (cash) debt	**29.3**		68.4		**2.3**	
Common shares outstanding *(millions)* [2]	**146.7**		145.2		**143.1**	
Sales volumes [3]						
Natural gas (MMcf/d)	**296.8**		318.7		**290.2**	
Condensate and oil (Bbl/d)	**39,206**		40,908		**34,230**	
Other NGLs (Bbl/d)	**6,928**		6,954		**5,648**	
Total (Boe/d)	**95,609**		100,977		**88,243**	
% liquids	***48%***		*47%*		***45%***	
Grande Prairie Region (Boe/d)	**63,480**		67,163		**66,950**	
Kaybob Region (Boe/d)	**23,946**		22,353		**13,238**	
Central Alberta & Other Region (Boe/d)	**8,183**		11,461		**8,055**	
Total (Boe/d)	**95,609**		100,977		**88,243**	
Netback		*($/Boe)* [4]		*($/Boe)* [4]		*($/Boe)* [4]
Natural gas revenue	**45.6**	***1.69***	82.4	*2.84*	**64.1**	***2.43***
Condensate and oil revenue	**367.7**	***103.07***	344.8	*92.64*	**294.1**	***94.42***
Other NGLs revenue	**20.8**	***33.07***	23.9	*37.81*	**15.9**	***30.86***
Royalty income and other revenue [5]	**9.5**	**–**	1.2	–	**0.3**	**–**
Petroleum and natural gas sales	**443.6**	***50.99***	452.3	*49.24*	**374.4**	***46.63***
Royalties	**(66.1)**	***(7.60)***	(61.8)	*(6.73)*	**(41.2)**	***(5.12)***
Operating expense	**(115.7)**	***(13.29)***	(118.9)	*(12.94)*	**(104.6)**	***(13.03)***
Transportation and NGLs processing	**(31.3)**	***(3.60)***	(31.9)	*(3.47)*	**(33.6)**	***(4.19)***
Sales of commodities purchased [6]	**84.4**	***9.70***	54.7	*5.95*	**47.7**	***5.94***
Commodities purchased [6]	**(82.4)**	***(9.47)***	(53.4)	*(5.81)*	**(49.3)**	***(6.15)***
Netback	**232.5**	***26.73***	241.0	*26.24*	**193.4**	***24.08***
Risk management contract settlements	**36.4**	***4.18***	(0.5)	*(0.05)*	**(2.7)**	***(0.33)***
Netback including risk management contract settlements	**268.9**	***30.91***	240.5	*26.19*	**190.7**	***23.75***
Capital expenditures						
Grande Prairie Region	**154.8**		120.2		**66.0**	
Kaybob Region	**40.9**		56.3		**45.5**	
Central Alberta & Other Region	**45.9**		39.8		**17.1**	
Fox Drilling and Cavalier Energy	**0.7**		4.1		**7.6**	
Corporate [7]	**(1.5)**		(6.5)		**4.0**	
Total	**240.8**		213.9		**140.2**	
Asset retirement obligations settled	**2.3**		16.5		**5.9**	

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

(2) Common shares are presented net of shares held in trust under the Company's restricted share unit plan: Q2 2024: 0.2 million, Q1 2024: 0.4 million, Q2 2023: 0.4 million.

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

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

(5) Royalty income and other revenue for the three months ended June 30, 2024 includes $10.0 million related to an initial payment from insurers for 2023 Alberta wildfire losses. This amount was not allocated to individual Regions or properties. The Company continues to advance its insurance claims process.

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

(7) Includes transfers between regions.

PRODUCT TYPE INFORMATION

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

	Total Company by Product Type		
	Q2 2024	Q1 2024	Q2 2023
Shale gas (MMcf/d)	243.1	268.5	246.0
Conventional natural gas (MMcf/d)	53.7	50.2	44.2
Natural gas (MMcf/d)	296.8	318.7	290.2
Condensate (Bbl/d)	36,825	38,332	32,341
Other NGLs (Bbl/d)	6,928	6,954	5,648
NGLs (Bbl/d)	43,753	45,286	37,989
Light and medium crude oil (Bbl/d)	1,566	1,595	942
Tight oil (Bbl/d)	466	592	538
Heavy crude oil (Bbl/d)	349	389	409
Crude oil (Bbl/d)	2,381	2,576	1,889
Total (Boe/d)	95,609	100,977	88,243

	Grande Prairie Region			Kaybob Region			Central Alberta and Other Region		
	Q2 2024	Q1 2024	Q2 2023	Q2 2024	Q1 2024	Q2 2023	Q2 2024	Q1 2024	Q2 2023
Shale gas (MMcf/d)	187.0	201.6	196.1	35.8	30.6	21.7	20.3	36.3	28.2
Conventional natural gas (MMcf/d)	0.3	0.2	0.3	48.8	47.7	38.4	4.6	2.3	5.5
Natural gas (MMcf/d)	187.3	201.8	196.4	84.6	78.3	60.1	24.9	38.6	33.7
Condensate (Bbl/d)	27,936	29,061	30,046	6,617	6,038	1,301	2,272	3,233	994
Other NGLs (Bbl/d)	4,179	4,334	4,012	1,599	1,480	891	1,150	1,140	745
NGLs (Bbl/d)	32,115	33,395	34,058	8,216	7,518	2,192	3,422	4,373	1,739
Light and medium crude oil (Bbl/d)	–	–	–	1,544	1,573	914	22	22	28
Tight oil (Bbl/d)	147	141	159	80	212	115	239	239	264
Heavy crude oil (Bbl/d)	–	–	–	–	–	–	349	389	409
Crude oil (Bbl/d)	147	141	159	1,624	1,785	1,029	610	650	701
Total (Boe/d)	63,480	67,163	66,950	23,946	22,353	13,238	8,183	11,461	8,055

The Company forecasts that 2024 annual sales volumes will average between 100,000 Boe/d and 106,000 Boe/d (52% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 7% Other NGLs). Third quarter 2024 sales volumes are expected to average between 96,000 Boe/d and 104,000 Boe/d (51% shale gas and conventional natural gas combined, 42% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 7% Other NGLs). Fourth quarter 2024 sales volumes are expected to average between 109,000 Boe/d and 121,000 Boe/d (52% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 7% Other NGLs).

SPECIFIED FINANCIAL MEASURES

Non-GAAP Financial Measures

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

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

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

Refer to the table under the heading "Financial and Operating Results" in this press release for the calculation of netback and netback including risk management contract settlements for the three months ended June 30, 2024, March 31, 2024 and June 30, 2023.

Non-GAAP Ratios

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

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

Capital Management Measures

Adjusted funds flow, free cash flow and net (cash) debt are capital management measures that Paramount utilizes in managing its capital structure. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Refer to Note 15 in the Interim Consolidated Financial Statements of Paramount as at and for the three and six months ended June 30, 2024 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 six months ended June 30, 2024 and 2023 and (iii) a calculation of net (cash) debt as at June 30, 2024 and December 31, 2023.

Supplementary Financial Measures

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

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

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

ADVISORIES

Forward-looking Information

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

- forecast sales volumes for 2024 and certain periods therein;
- planned capital expenditures in 2024 and the allocation thereof between sustaining and maintenance capital and growth capital;
- planned abandonment and reclamation expenditures in 2024;
- forecast free cash flow in 2024;
- planned exploration, development and production activities, including: (i) the expected timing of drilling, completing and bringing new wells on production; (ii) planned well optimizations and the anticipated impact thereof; (iii) the expected timing of completion of planned facilities, including a new natural gas processing facility at Willesden Green, (iv) a planned outage at the Wapiti natural gas processing plant and (iv) the expected timing of bringing shut-in natural gas production back on; 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 in Ukraine and the Middle East;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates, interest rates and the rate and impacts of inflation;
- general business, economic and market conditions;
- the performance of wells and facilities;

- the availability to Paramount of the funds required for exploration, development and other operations and the meeting of commitments and financial obligations;
- the ability of Paramount to obtain equipment, materials, services and personnel in a timely manner and at expected and acceptable costs to carry out its activities;
- the ability of Paramount to secure adequate processing, transportation, fractionation, disposal and storage capacity on acceptable terms and the capacity and reliability of facilities;
- the ability of Paramount to obtain the volumes of water required for completion activities;
- the ability of Paramount to market its production successfully;
- the ability of Paramount and its industry partners to obtain drilling success (including in respect of anticipated sales volumes, reserves additions, product yields and product recoveries) and operational improvements, efficiencies and results consistent with expectations;
- the timely receipt of required governmental and regulatory approvals;
- the application of regulatory requirements respecting abandonment and reclamation; and
- anticipated timelines and budgets being met in respect of: (i) drilling programs and other operations, including well completions and tie-ins, (ii) the construction, commissioning and start-up of new and expanded third-party and Company facilities, including the new natural gas processing facility at Willesden Green, and (iii) facility turnarounds and maintenance.

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

- fluctuations in commodity prices;
- changes in capital spending plans and planned exploration and development activities;
- changes in foreign currency exchange rates, interest rates and the rate of inflation;
- the uncertainty of estimates and projections relating to future production, product yields (including condensate to natural gas ratios), revenue, free cash flow, reserves additions, product recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate processing, transportation, fractionation, disposal and storage capacity on acceptable terms;
- operational risks in exploring for, developing, producing and transporting natural gas and liquids, including the risk of spills, leaks or blowouts;
- risks associated with wildfires, including the risk of physical loss or damage to wells, facilities, pipelines and other infrastructure, prolonged disruptions in production, restrictions on the ability to access properties, interruption of electrical and other services and significant delays or changes to planned development activities and facilities maintenance;
- the ability to obtain equipment, materials, services and personnel in a timely manner and at expected and acceptable costs, including the potential effects of inflation and supply chain disruptions;
- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities, including third-party facilities and the new natural gas processing facility at Willesden Green;
- processing, transportation, fractionation, disposal and storage outages, disruptions and constraints;
- potential limitations on access to the volumes of water required for completion activities due to drought, conditions of low river flow, government restrictions or other factors;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves estimates;
- general business, economic and market conditions;
- the ability to generate sufficient cash from operating activities to fund, or to otherwise finance, planned exploration, development and operational activities and meet current and future commitments and obligations (including asset retirement obligations, processing, transportation, fractionation and similar commitments and obligations);
- changes in, or in the interpretation of, laws, regulations or policies (including environmental laws);
- the ability to obtain required governmental or regulatory approvals in a timely manner, and to obtain and maintain leases and licenses, including those required for the new natural gas processing facility at Willesden Green;
- the effects of weather and other factors including wildlife and environmental restrictions which affect field operations and access;
- uncertainties as to the timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- uncertainties regarding Indigenous claims and in maintaining relationships with local populations and other stakeholders;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities.

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

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "*Risk Factors*" in Paramount's annual information form for the year ended December 31, 2023, 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 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 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
NYMEX	New York Mercantile Exchange
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 six months ended June 30, 2024, the value ratio between crude oil and natural gas was approximately 61:1. 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, 2023 which is available on SEDAR+ at www.sedarplus.ca or on Paramount's website at www.paramountres.com.

Management’s Discussion and Analysis
For the three and six months ended June 30, 2024

This Management's Discussion and Analysis ("MD&A"), dated July 31, 2024, should be read in conjunction with the unaudited interim condensed consolidated financial statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the three and six months ended June 30, 2024 (the "Interim Financial Statements") and Paramount's audited consolidated financial statements as at and for the year ended December 31, 2023 (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. All references to $ are to Canadian dollars, unless otherwise noted. The Company's accounting policies have been applied consistently to all periods presented.

ABOUT PARAMOUNT

Paramount is an independent, publicly traded, liquids-rich natural gas focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas. Paramount's principal properties are located in Alberta and British Columbia. Paramount commenced operations as a public company in 1978 and has adapted to a multitude of operating and economic climates over the past 45+ years. The Company's class A common shares ("Common Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "POU". Additional information concerning Paramount, including its Annual Information Form for the year ended December 31, 2023 ("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 and other natural gas and oil producing properties; and
- the Central Alberta and Other Region, which includes the Willesden Green Duvernay development in central Alberta and shale gas properties in the Horn River Basin and the Liard Basin in northeast British Columbia.

The Company's assets also include: (i) strategic investments in exploration and pre-development stage assets, including prospective natural gas and oil acreage in the Mackenzie Delta and Central Mackenzie in the Northwest Territories and interests held by Cavalier Energy Inc. ("Cavalier Energy") prospective for cold flow heavy oil and in-situ thermal oil recovery; (ii) six triple-sized drilling rigs owned by Fox Drilling Limited Partnership ("Fox Drilling"); and (iii) investments in other publicly traded and private 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 June 30		Six months ended June 30	
	2024	2023	2024	2023
FINANCIAL				
Petroleum and natural gas sales	**443.6**	374.4	**896.0**	864.2
Net income	**84.5**	74.2	**152.7**	271.1
Per share – basic ($/share)	***0.58***	*0.52*	***1.05***	*1.90*
Per share – diluted ($/share)	***0.57***	*0.50*	***1.02***	*1.83*
Cash from operating activities	**220.5**	172.2	**421.9**	443.4
Per share – basic ($/share) (1)	***1.51***	*1.20*	***2.90***	*3.11*
Per share – diluted ($/share) (1)	***1.47***	*1.16*	***2.83***	*2.99*
Adjusted funds flow (1)	**266.2**	178.7	**491.8**	446.9
Per share – basic ($/share)	***1.82***	*1.25*	***3.38***	*3.14*
Per share – diluted ($/share)	***1.78***	*1.21*	***3.30***	*3.02*
Free cash flow (1)	**20.3**	30.5	**10.8**	90.2
Per share – basic ($/share)	***0.14***	*0.21*	***0.07***	*0.63*
Per share – diluted ($/share)	***0.14***	*0.21*	***0.07***	*0.61*
Total assets			**4,589.2**	4,106.6
Investments in securities			**579.5**	489.9
Long-term debt			**–**	–
Net (cash) debt (1)			**29.3**	2.3
Total liabilities			**924.2**	756.4
Common shares outstanding (millions) (2)			**146.7**	143.1
Dividends declared and paid ($/share)	**0.425**	0.375	**0.80**	1.75
OPERATING				
Sales volumes				
Natural gas (MMcf/d)	**296.8**	290.2	**307.8**	305.3
Condensate and oil (Bbl/d)	**39,206**	34,230	**40,057**	36,063
Other NGLs (Bbl/d)	**6,928**	5,648	**6,941**	5,781
Total (Boe/d)	**95,609**	88,243	**98,293**	92,731
% Liquids	***48%***	*45%*	***48%***	*45%*
Realized prices (1)				
Natural gas ($/Mcf)	**1.69**	2.43	**2.29**	3.37
Condensate and oil ($/Bbl)	**103.07**	94.42	**97.74**	97.68
Other NGLs ($/Bbl)	**33.07**	30.86	**35.44**	37.51
Petroleum and natural gas sales ($/Boe)	**50.99**	46.63	**50.09**	51.49
Capital expenditures	**240.8**	140.2	**454.7**	324.3

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

(2) Common shares are presented net of shares held in trust under the Company's restricted share unit plan (Common Shares): 2024: 0.2 million and 2023: 0.4 million.

Q2 2024 OVERVIEW

Sales volumes averaged 95,609 Boe/d (48% liquids) in the second quarter of 2024 compared to 100,977 Boe/d (47% liquids) in the first quarter of 2024. First half 2024 sales volumes averaged 98,293 Boe/d (48% liquids), in line with the midpoint of the Company's guidance of 96,000 Boe/d to 100,000 Boe/d (47% liquids).

- Sales volumes in the Grande Prairie Region averaged 63,480 Boe/d (51% liquids) compared to 67,163 Boe/d (50% liquids) in the first quarter. Although field deliverability has been enhanced as a result of the previously disclosed well optimization program, second quarter sales volumes were restricted by planned maintenance outages at two third-party natural gas processing facilities. Sales volumes were further restricted by start-up issues and unplanned downtime at one of these plants, which have since been largely resolved.
- Sales volumes in the Kaybob Region averaged 23,946 Boe/d (41% liquids) compared to 22,353 Boe/d (42% liquids) in the first quarter. Sales volumes were higher mainly as a result of new Duvernay wells brought onstream. The shut-in of certain dry gas wells due to low natural gas prices partially offset new production. In light of low natural gas pricing, Paramount shut-in 1,800 Boe/d of Kaybob Region dry gas production in the second quarter.
- Sales volumes in the Central Alberta and Other Region averaged 8,183 Boe/d (49% liquids) compared to 11,461 Boe/d (44% liquids) in the first quarter. The decrease in sales volumes is mainly attributable to approximately 2,800 Boe/d of dry gas shut-ins in northeast British Columbia that occurred in the second quarter.
- The continued strong results from Paramount's drilling program at Kaybob North and Willesden Green grew the Company's total Duvernay production in the quarter to an average of approximately 15,000 Boe/d (63% liquids).

Second quarter 2024 cash from operating activities was $220.5 million ($1.51 per basic share) compared to $201.3 million ($1.39 per basic share) in the first quarter. Adjusted funds flow was $266.2 million ($1.82 per basic share) compared to $225.6 million ($1.56 per basic share) in the first quarter. Free cash flow was $20.3 million ($0.14 per basic share) compared to ($9.5) million (($0.07) per basic share) in the first quarter.(1)

Capital expenditures totaled $240.8 million in the second quarter of 2024 compared to $213.9 million in the first quarter. Capital expenditures were largely directed to the Grande Prairie Region Montney development and the Willesden Green and Kaybob North Duvernay developments.

Asset retirement obligations settled in the second quarter totaled $2.3 million.

In April 2024, the Company sold 6.0 million shares of its investment in NuVista Energy Ltd. ("NuVista Shares") for net cash proceeds of $74.8 million. The carrying value of the Company's investments in securities was $579.5 million at June 30, 2024 compared to $568.6 million at March 31, 2024. Paramount received total cash dividends of $7.9 million in the second quarter from its investments in securities.

Net debt was $29.3 million at June 30, 2024 compared to $68.4 million at March 31, 2024. Paramount's $1.0 billion revolving credit facility was undrawn at June 30, 2024. (1)

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(1) Adjusted funds flow, free cash flow, net (cash) debt and net debt to adjusted funds flow are capital management measures used by Paramount. The capital management measure of net (cash) debt has been expressed as net debt in this instance for simplicity as the amount referenced is a positive number. Cash from operating activities per basic share, adjusted funds flow per basic share and free cash flow per basic share are supplementary financial measures. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

Revenue in the second quarter included $10.0 million related to an initial payment from insurers for 2023 Alberta wildfire losses. The Company continues to advance its insurance claims process.

In June 2024, Paramount realized total cash proceeds of $37.9 million from the termination and close out of all of its then outstanding NYMEX WTI swaps (14,250 Bbl/d at $111.67/Bbl for the balance of 2024). Paramount has since hedged 5,000 Bbl/d of liquids sales from July 2024 to the end of 2025 at an average WTI price of $105.00/Bbl.

The Company increased its regular monthly dividend by 20 percent from $0.125 to $0.15 per Common Share in May 2024, the fifth increase in the regular monthly dividend since it was implemented in July 2021.

GUIDANCE

Paramount is reaffirming its 2024 guidance for sales volumes. The Company currently has approximately 4,600 Boe/d of dry gas production shut-in. The 2024 sales volumes guidance assumes that this production, as well as certain new dry gas production, is brought online in the fourth quarter. If natural gas prices do not improve later in the year, as anticipated, the Company may choose to defer bringing this production online. In such a case, Paramount anticipates that 2024 sales volumes would be at the lower end of the forecast range.

The Company is reaffirming its 2024 guidance for capital expenditures and abandonment and reclamation expenditures.

Paramount is updating its forecast of 2024 free cash flow from $205 million to $100 million to reflect first half results and revised natural gas price assumptions for the second half of 2024 of US$2.50/MMBtu NYMEX and $1.50/GJ AECO (previously US$3.50/MMBtu NYMEX and $2.84/GJ AECO). Assumed WTI pricing for the second half of 2024 remains unchanged at US$80.00/Bbl.

	2024 Guidance
Annual average sales volumes (Boe/d)	100,000 to 106,000 (48% liquids)
Third quarter 2024 (Boe/d)	96,000 to 104,000 (49% liquids)
Fourth quarter 2024 (Boe/d)	109,000 to 121,000 (48% liquids)
Capital expenditures	$830 to $890 million
Sustaining and Maintenance	$415 to $445 million
Growth	$415 to $445 million
Abandonment and reclamation expenditures	$40 million
Free cash flow (1)	$100 million

The Company's midpoint 2024 sustaining and maintenance capital program, abandonment and reclamation expenditures and regular monthly dividend would remain fully funded down to an average WTI price for the second half of 2024 of about US$56/Bbl, assuming no changes to the other forecast assumptions.

(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) $10 million in geological and geophysical expenses, (iv) realized pricing of $51.45/Boe; (v) a $US/$ exchange rate of $0.736, (vi) royalties of $7.55/Boe, (vii) operating costs of $13.30/Boe and (vii) transportation and NGLs processing costs of $3.55/Boe. The stated amounts have been adjusted to incorporate actual results for the first half of 2024.

CONSOLIDATED RESULTS

Net Income

Paramount recorded net income of $84.5 million for the three months ended June 30, 2024 compared to net income of $74.2 million in the same period in 2023. Significant factors contributing to the change are shown below:

Three months ended June 30	
Net income – 2023	**74.2**
• Higher netback in 2024 mainly due to higher liquids sales volumes and prices and a $10.0 million interim payment from insurers for 2023 Alberta wildfire losses, partially offset by lower natural gas prices	39.1
• Higher gain on risk management contracts in 2024	22.3
• Dividend income in 2024	7.9
• Higher depletion and depreciation expense in 2024	(58.8)
• Other	(0.2)
Net income – 2024	**84.5**

Paramount recorded net income of $152.7 million for the six months ended June 30, 2024 compared to net income of $271.1 million in the same period in 2023. Significant factors contributing to the change are shown below:

Six months ended June 30	
Net income – 2023	**271.1**
• Lower gain on sale of oil and gas assets in 2024	(106.4)
• Higher depletion and depreciation expense in 2024	(72.0)
• Lower income tax expense in 2024	36.1
• Higher gain on risk management contracts in 2024	12.9
• Higher dividend income in 2024	7.9
• Higher netback in 2024 mainly due to higher liquids sales volumes and a $10.0 million interim payment from insurers for 2023 Alberta wildfire losses, partially offset by lower natural gas prices	4.0
• Other	(0.9)
Net income – 2024	**152.7**

Cash From Operating Activities

Cash from operating activities for the three months ended June 30, 2024 was $220.5 million compared to $172.2 million in the same period in 2023. Significant factors contributing to the change are shown below:

Three months ended June 30	
Cash from operating activities – 2023	**172.2**
• Higher netback in 2024 mainly due to higher liquids sales volumes and prices and a $10.0 million interim payment from insurers for 2023 Alberta wildfire losses, partially offset by lower natural gas prices	39.1
• Receipts on risk management contract settlements in 2024 compared to payments in 2023	39.1
• Dividend income in 2024	7.9
• Change in non-cash working capital	(42.1)
• Other	4.3
Cash from operating activities – 2024	**220.5**

Cash from operating activities for the six months ended June 30, 2024 was $421.9 million compared to $443.4 million for the same period in 2023. Significant factors contributing to the change are shown below:

Six months ended June 30	
Cash from operating activities – 2023	**443.4**
• Change in non-cash working capital	(75.5)
• Higher receipts on risk management contract settlements in 2024	32.3
• Lower asset retirement obligations settled in 2024	9.0
• Higher dividend income in 2024	7.9
• Higher netback in 2024 mainly due to higher liquids sales volumes and a $10.0 million interim payment from insurers for 2023 Alberta wildfire losses, partially offset by lower natural gas prices	4.0
• Other	0.8
Cash from operating activities – 2024	**421.9**

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 June 30		Six months ended June 30	
	2024	**2023**	**2024**	**2023**
Cash from operating activities	**220.5**	172.2	**421.9**	443.4
Change in non-cash working capital (1)	**40.6**	(1.5)	**44.1**	(31.4)
Geological and geophysical expense (2)	**2.8**	2.1	**7.5**	4.6
Asset retirement obligations settled (1)	**2.3**	5.9	**18.8**	27.8
Provisions (3)	**–**	–	**(0.5)**	2.5
Adjusted funds flow (4)	**266.2**	178.7	**491.8**	446.9
Adjusted funds flow ($/Boe) (5)	**30.59**	22.25	**27.49**	26.63

(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 June 30, 2024 was $266.2 million compared to $178.7 million in the same period in 2023. Significant factors contributing to the change are shown below:

Three months ended June 30	
Adjusted funds flow – 2023	**178.7**
• Higher netback in 2024 mainly due to higher liquids sales volumes and prices and a $10.0 million interim payment from insurers for 2023 Alberta wildfire losses, partially offset by lower natural gas prices	39.1
• Receipts on risk management contract settlements in 2024 compared to payments in 2023	39.1
• Dividend income in 2024	7.9
• Other	1.4
Adjusted funds flow – 2024	**266.2**

Adjusted funds flow for the six months ended June 30, 2024 was $491.8 million compared to $446.9 million in the same period in 2023. Significant factors contributing to the change are shown below:

Six months ended June 30	
Adjusted funds flow – 2023	**446.9**
• Higher receipts on risk management contract settlements in 2024	32.3
• Higher dividend income in 2024	7.9
• Higher netback in 2024 mainly due to higher liquids sales volumes and a $10.0 million interim payment from insurers for 2023 Alberta wildfire losses, partially offset by lower natural gas prices	4.0
• Other	0.7
Adjusted funds flow – 2024	**491.8**

Free Cash Flow

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

	Three months ended June 30		Six months ended June 30	
	2024	**2023**	**2024**	**2023**
Cash from operating activities	**220.5**	172.2	**421.9**	443.4
Change in non-cash working capital (1)	**40.6**	(1.5)	**44.1**	(31.4)
Geological and geophysical expense (2)	**2.8**	2.1	**7.5**	4.6
Asset retirement obligations settled (1)	**2.3**	5.9	**18.8**	27.8
Provisions (3)	**–**	–	**(0.5)**	2.5
Adjusted funds flow	**266.2**	178.7	**491.8**	446.9
Capital expenditures (1)	**(240.8)**	(140.2)	**(454.7)**	(324.3)
Geological and geophysical expense (2)	**(2.8)**	(2.1)	**(7.5)**	(4.6)
Asset retirement obligations settled (1)	**(2.3)**	(5.9)	**(18.8)**	(27.8)
Free cash flow (4)	**20.3**	30.5	**10.8**	90.2

(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 June 30, 2024 was $20.3 million compared to $30.5 million for the three months ended June 30, 2023. Significant factors contributing to the change are shown below:

Three months ended June 30	
Free cash flow – 2023	**30.5**
• Higher capital expenditures in 2024	(100.6)
• Higher geological and geophysical expense in 2024	(0.7)
• Higher adjusted funds flow in 2024 (described in "Adjusted Funds Flow" section above)	87.5
• Lower asset retirement obligations settled in 2024	3.6
Free cash flow – 2024	**20.3**

Free cash flow for the six months ended June 30, 2024 was $10.8 million compared to $90.2 million for the six months ended June 30, 2023. Significant factors contributing to the change are shown below:

Six months ended June 30	
Free cash flow – 2023	**90.2**
• Higher capital expenditures in 2024	(130.4)
• Higher geological and geophysical expense in 2024	(2.9)
• Higher adjusted funds flow in 2024 (described in "Adjusted Funds Flow" section above)	44.9
• Lower asset retirement obligations settled in 2024	9.0
Free cash flow – 2024	**10.8**

OPERATING RESULTS

Netback

	Three months ended June 30				Six months ended June 30			
	2024		2023		2024		2023	
		($/Boe)(1)(2)		($/Boe)(1)(2)		($/Boe)(1)(2)		($/Boe)(1)(2)
Natural gas revenue (3)	45.6	1.69	64.1	2.43	128.0	2.29	186.1	3.37
Condensate and oil revenue (3)	367.7	103.07	294.1	94.42	712.6	97.74	637.6	97.68
Other NGLs revenue (3)	20.8	33.07	15.9	30.86	44.8	35.44	39.3	37.51
Royalty income and other revenue (3)	9.5	–	0.3	–	10.6	–	1.2	–
Petroleum and natural gas sales (4)	443.6	50.99	374.4	46.63	896.0	50.09	864.2	51.49
Royalties (4)	(66.1)	(7.60)	(41.2)	(5.12)	(128.0)	(7.15)	(110.3)	(6.57)
Operating expense (4)	(115.7)	(13.29)	(104.6)	(13.03)	(234.5)	(13.11)	(213.5)	(12.72)
Transportation and NGLs processing (4)	(31.3)	(3.60)	(33.6)	(4.19)	(63.2)	(3.53)	(70.0)	(4.17)
Sales of commodities purchased (4)	84.4	9.70	47.7	5.94	139.1	7.77	162.8	9.70
Commodities purchased (4)	(82.4)	(9.47)	(49.3)	(6.15)	(135.8)	(7.59)	(163.6)	(9.75)
Netback (5)	232.5	26.73	193.4	24.08	473.6	26.48	469.6	27.98
Risk management contract settlements (6)	36.4	4.18	(2.7)	(0.33)	35.8	2.01	3.5	0.21
Netback including risk management contract settlements (7)	268.9	30.91	190.7	23.75	509.4	28.49	473.1	28.19

(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 six months ended June 30, 2024 includes $10.0 million related to an interim payment from insurers for 2023 Alberta wildfire losses.
(4) Refer to the 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 $443.6 million for the three months ended June 30, 2024 compared to $374.4 million for the same period in 2023. The increase in the three months ended June 30, 2024 was mainly due to the effects of an 8 percent increase in sales volumes and a 9 percent increase in petroleum and natural gas sales prices per Boe over the same period.

The impact of changes in prices and sales volumes on petroleum and natural gas sales for the three months ended June 30, 2024 compared to the same period in 2023 are as follows:

	Natural gas	Condensate and oil	Other NGLs	Royalty income and other revenue	Total
Three months ended June 30, 2023	64.1	294.1	15.9	0.3	374.4
Effect of changes in sales volumes	1.5	42.8	3.5	–	47.8
Effect of changes in prices	(20.0)	30.8	1.4	–	12.2
Change in royalty income and other revenue	–	–	–	9.2	9.2
Three months ended June 30, 2024	**45.6**	**367.7**	**20.8**	**9.5**	**443.6**

Petroleum and natural gas sales were $896.0 million for the six months ended June 30, 2024 compared to $864.2 million for the same period in 2023. The increase in the six months ended June 30, 2024 was mainly due to the effects of a 6 percent increase in sales volumes, which was partially offset by a 3 percent decrease in petroleum and natural gas prices per Boe over the same period.

The impact of changes in prices and sales volumes on petroleum and natural gas sales for the six months ended June 30, 2024 compared to the same period in 2023 are as follows:

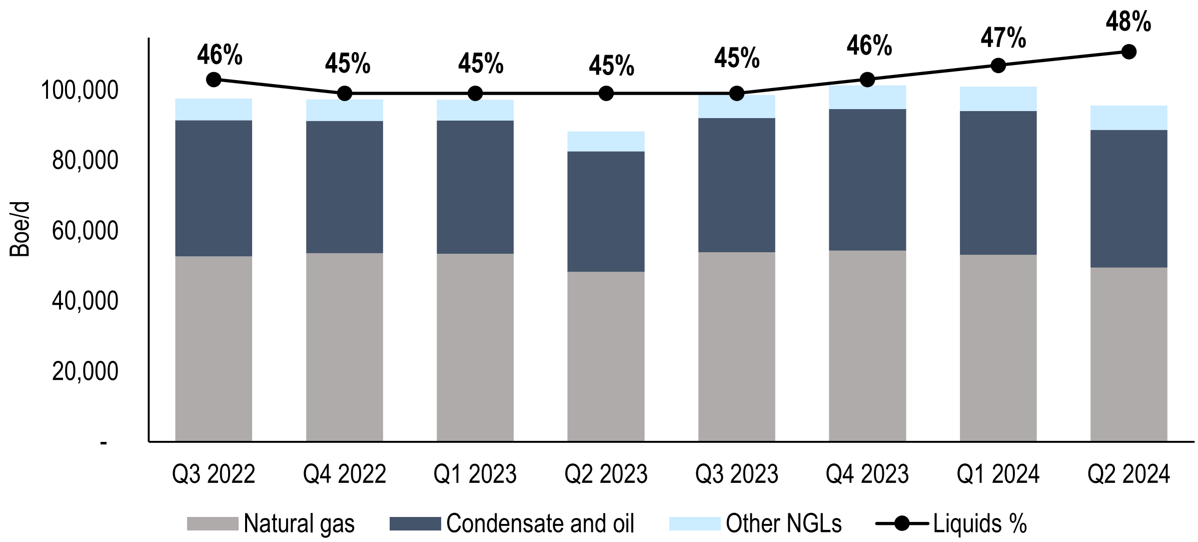
	Natural gas	Condensate and oil	Other NGLs	Royalty income and other revenue	Total
Six months ended June 30, 2023	186.1	637.6	39.3	1.2	864.2
Effect of changes in sales volumes	2.5	74.6	8.1	–	85.2
Effect of changes in prices	(60.6)	0.4	(2.6)	–	(62.8)
Change in royalty income and other revenue	–	–	–	9.4	9.4
Six months ended June 30, 2024	**128.0**	**712.6**	**44.8**	**10.6**	**896.0**

Royalty income and other revenue for the three and six months ended June 30, 2024 includes $10.0 million related to an interim payment from insurers for 2023 Alberta wildfire losses. This amount was not allocated to individual Regions or properties. The Company continues to advance its insurance claims process for these losses.

Sales Volumes

	Three months ended June 30											
	Natural gas (MMcf/d) [(1)]			Condensate and oil (Bbl/d) [(1)]			Other NGLs (Bbl/d) [(1)]			Total (Boe/d) [(1)]		
	2024	2023	*Chg*	2024	2023	*Chg*	2024	2023	*Chg*	2024	2023	*Chg*
Grande Prairie	**187.3**	196.4	*(5%)*	**28,083**	30,205	*(7%)*	**4,179**	4,012	*4%*	**63,480**	66,950	*(5%)*
Kaybob	**84.6**	60.1	*41%*	**8,241**	2,330	*254%*	**1,599**	891	*79%*	**23,946**	13,238	*81%*
Central Alberta and Other	**24.9**	33.7	*(26%)*	**2,882**	1,695	*70%*	**1,150**	745	*54%*	**8,183**	8,055	*2%*
Total	**296.8**	290.2	*2%*	**39,206**	34,230	*15%*	**6,928**	5,648	*23%*	**95,609**	88,243	*8%*

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



Total Company sales volumes averaged 95,609 Boe/d (48% liquids) in the second quarter of 2024 compared to 88,243 Boe/d (45% liquids) in the same period in 2023. The Alberta wildfires impacted second quarter 2023 average sales volumes by an estimated 12,000 Boe/d.

Second quarter 2024 sales volumes in the Grande Prairie Region were consistent with Paramount's expectations, averaging 63,480 Boe/d (51% liquids) compared to 66,950 Boe/d (51% liquids) in the same period in 2023. A total of four (4.0 net) new Montney wells were brought onstream in the second quarter of 2024. In addition, Paramount continued its Grande Prairie Region well optimization program aimed at increasing production from shut-in wells and wells that would benefit from intervention (the "Grande Prairie Region Well Optimization Program"). Sales volumes in the second quarter of 2024 were restricted by an estimated 8,400 Boe/d due to downtime associated with planned and unplanned outages at two third-party natural gas processing facilities. Grande Prairie Region sales volumes in the second quarter of 2023 were impacted by an estimated 6,000 Boe/d from the Alberta wildfires and approximately 5,400 Boe/d due to downtime associated with third-party midstream facilities.

Kaybob Region sales volumes averaged 23,946 Boe/d (41% liquids) in the second quarter of 2024 compared to 13,238 Boe/d (24% liquids) in the same period in 2023. The change in sales volumes and liquids contribution reflects new Duvernay wells brought onstream at Kaybob North in the second quarter of 2024 and an estimated 6,000 Boe/d impact of the Alberta wildfires on second quarter 2023 Kaybob Region sales volumes. In light of low natural gas pricing, Paramount shut-in 1,800 Boe/d of Kaybob Region dry gas production in the second quarter of 2024 and does not expect to bring this production back on until late 2024 when prices are forecast to improve.

Sales volumes in the Central Alberta and Other Region were 8,183 Boe/d (49% liquids) in the second quarter of 2024 compared to 8,055 Boe/d (30% liquids) in the same period in 2023. The increase in sales volumes and liquids contribution was mainly a result of new Duvernay wells brought onstream at Willesden Green. In the second quarter of 2024, Paramount shut-in approximately 2,800 Boe/d of dry gas production in northeast British Columbia due to low natural gas prices.

	Six months ended June 30											
	Natural gas (MMcf/d) (1)			Condensate and oil (Bbl/d) (1)			Other NGLs (Bbl/d) (1)			Total (Boe/d) (1)		
	2024	2023	Chg	2024	2023	Chg	2024	2023	Chg	2024	2023	Chg
Grande Prairie	194.5	200.4	(3%)	28,642	30,783	(7%)	4,256	4,043	5%	65,322	68,222	(4%)
Kaybob	81.5	70.7	15%	8,032	3,479	131%	1,539	939	64%	23,149	16,203	43%
Central Alberta and Other	31.8	34.2	(7%)	3,383	1,801	88%	1,146	799	43%	9,822	8,306	18%
Total	307.8	305.3	1%	40,057	36,063	11%	6,941	5,781	20%	98,293	92,731	6%

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

Total Company sales volumes were 98,293 Boe/d (48% liquids) in the six months ended June 30, 2024 compared to 92,731 Boe/d (45% liquids) in the same period in 2023. Sales volumes in the first half 2023 were impacted by an estimated 6,000 Boe/d related to the Alberta wildfires.

Grande Prairie Region sales volumes were 65,322 Boe/d (50% liquids) for the six months ended June 30, 2024. First half 2024 sales volumes in the Grande Prairie Region were impacted by an estimated 5,100 Boe/d of downtime related to outages and curtailments associated with third-party midstream facilities as well as cold weather and other operational challenges that significantly affected production from a number of wells in the first quarter of 2024. A total of eight (8.0 net) new Montney wells were brought onstream in the first half of 2024. In addition, Paramount commenced its Grande Prairie Region Well Optimization Program in March 2024, which continued throughout the second quarter. Grande Prairie Region sales volumes for the six months ended June 30, 2023 averaged 68,222 Boe/d (51% liquids) and were impacted by approximately 5,400 Boe/d due to downtime associated with third-party midstream facilities and an estimated 3,000 Boe/d from the Alberta wildfires. Third quarter 2024 sales volumes in the Grande Prairie Region will be impacted by a planned 21-day full outage at the Wapiti natural gas processing plant.

Kaybob Region sales volumes averaged 23,149 Boe/d (41% liquids) in the six months ended June 30, 2024 compared to 16,203 Boe/d (27% liquids) in the same period in 2023. The increase in sales volumes and liquids contribution was mainly due to new Duvernay wells brought onstream. Kaybob Region sales volumes in the first half of 2023 were impacted by an estimated 3,000 Boe/d from the Alberta wildfires.

Sales volumes in the Central Alberta and Other Region were 9,822 Boe/d (46% liquids) in the six months ended June 30, 2024 compared to 8,306 Boe/d (31% liquids) in the same period in 2023. The increase in sales volumes and liquids contribution was mainly as a result of new Duvernay wells brought onstream, partially offset by the impact of second quarter 2024 dry gas shut-ins due to low natural gas prices. Third quarter 2024 sales volumes will be impacted by the planned shut-in of certain legacy wells on the Willesden Green Duvernay 04-07 pad for two weeks as completion operations are conducted on three new wells on this pad.

Commodity Prices

	Three months ended June 30			Six months ended June 30		
	2024	2023	% Chg	2024	2023	% Chg
Natural Gas (1)						
Paramount realized natural gas price ($/Mcf)	1.69	2.43	(30)	2.29	3.37	(32)
AECO daily spot ($/GJ)	1.12	2.32	(52)	1.74	2.69	(35)
AECO monthly index ($/GJ)	1.36	2.22	(39)	1.65	3.17	(48)
Dawn ($/MMBtu)	2.32	2.80	(17)	2.57	3.25	(21)
NYMEX (US$/MMBtu)	2.34	2.32	1	2.21	2.54	(13)
Malin daily index (US$/MMBtu)	1.38	2.66	(48)	2.26	5.98	(62)
Condensate and Oil (1)						
Paramount realized condensate & oil price ($/Bbl)	103.07	94.42	9	97.74	97.68	–
Edmonton light sweet crude oil ($/Bbl)	105.97	94.99	12	100.71	97.36	3
Edmonton condensate ($/Bbl)	104.82	93.25	12	102.03	100.12	2
West Texas Intermediate crude oil (US$/Bbl)	80.57	73.80	9	78.76	74.97	5
Other NGLs (1)						
Paramount realized Other NGLs price ($/Bbl)	33.07	30.86	7	35.44	37.51	(6)
Conway – propane ($/Bbl)	42.20	37.24	13	43.48	40.91	6
Argus Far East Index – propane (US$/Bbl)	50.05	45.75	9	49.61	50.60	(2)
Belvieu – butane ($/Bbl)	48.82	44.05	11	52.76	53.45	(1)
Foreign Exchange						
$ / 1 $US	1.37	1.34	2	1.36	1.35	1

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

Paramount's current natural gas portfolio primarily consists of sales priced at Alberta, British Columbia, Oregon and Eastern Canada markets, which are sold in a combination of daily, monthly, seasonal and fixed basis differential physical contracts. In the first half of 2023 and 2024, Paramount's natural gas sales portfolio included arrangements to sell approximately 60,000 GJ/d of natural gas at Dawn and approximately 22,000 GJ/d of natural gas at Malin. In the first half of 2023, the Company's natural gas sales portfolio also included arrangements to sell 40,000 GJ/d of natural gas priced at the U.S. Midwest. Beginning in the fourth quarter of 2025, Paramount also has ex-Alberta to Iroquois natural gas transportation of approximately 20,000 GJ/d.

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

Paramount's propane and butane volumes are primarily sold under monthly and long-term contracts with prices based on the Edmonton market, adjusted for transportation and fractionation.

In 2024, Paramount entered into an agreement to deliver between 250 Bbl/d and 1,000 Bbl/d of propane over five years at a delivery point in Alberta beginning February 2024. The price received is based on the Argus Propane Monthly Far East Index less deductions for transportation, fuel and other charges.

The Company had the following basis differential physical sales contracts at June 30, 2024:

	Volume	Location	Average price	Remaining term
Natural gas	40,000 MMBtu/d	AECO	NYMEX – US$0.93/MMBtu (1)	July 2024 – October 2024

(1) "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.

In April 2024, the Company entered into the following financial commodity contracts:

Instruments	Aggregate notional	Average price	Term
Oil – NYMEX WTI Swaps (Sale) (1)	14,250 Bbl/d	$111.67/Bbl	April 2024 – December 2024

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

In June 2024, Paramount terminated and closed out the outstanding portion of its 14,250 Bbl/d in NYMEX WTI swaps ($111.67/Bbl, June 2024 to December 2024) for aggregate cash proceeds of $37.9 million.

Paramount had the following financial commodity contracts at June 30, 2024:

Instruments	Aggregate notional	Average price	Remaining term
Oil – MSW WTI Differential Swap (Sale) (1)	5,000 Bbl/d	WTI – US$2.56/Bbl	July 2024 – December 2024
Natural Gas – Malin / Citygate Basis Swap (Sale) (2)	10,000 MMBtu/d	Citygate – US$1.03/MMBtu	July 2024 – October 2027

(1) "MSW" refers to Mix Sweet Blend crude oil at Edmonton and "WTI" means West Texas Intermediate.
(2) "Malin" refers to Pacific Gas & Electric at Malin and "Citygate" refers to Pacific Gas & Electric Citygate.

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

	Six months ended June 30, 2024
Fair value, beginning of period	–
Changes in fair value	39.3
Settlements (received) paid	(38.6)
Fair value, end of period	**0.7**

Subsequent to June 30, 2024, Paramount terminated and closed out the outstanding portion of its 5,000 Bbl/d in MSW WTI differential swaps (WTI – US$2.56/Bbl, August 2024 to December 2024) for aggregate cash proceeds of $2.0 million.

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

The Company's financial commodity contracts as of July 31, 2024 are summarized below:

Instruments	Q3 2024	Q4 2024	2025	Average Price (1)
Oil				
NYMEX WTI Swaps (Sale) (Bbl/d) (2)	5,000	5,000	5,000	$105.00/Bbl
Natural Gas				
Malin / Citygate Basis Swap (Sale) (MMBtu/d) (3)	10,000	10,000	10,000	Citygate – US$1.03/MMBtu

(1) Average price is calculated using a weighted average of notional volumes and prices.
(2) "NYMEX" means New York Mercantile Exchange and "WTI" means West Texas Intermediate. The term of this contract is July 2024 to December 2025.
(3) "Malin" refers to Pacific Gas & Electric at Malin and "Citygate" refers to Pacific Gas & Electric Citygate. The term of this contract is July 2024 to October 2027.

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:

	Six months ended June 30, 2024
Fair value, beginning of period	8.4
Changes in fair value	(14.6)
Settlements paid (received)	2.8
Fair value, end of period	**(3.4)**

The Company had the following foreign currency exchange contracts at June 30, 2024:

Instruments	Aggregate notional	Average rate (1)	Remaining term
Swaps (Sale)	US$30 million / month	$1.3462/US$1.00	July 2024 – December 2024

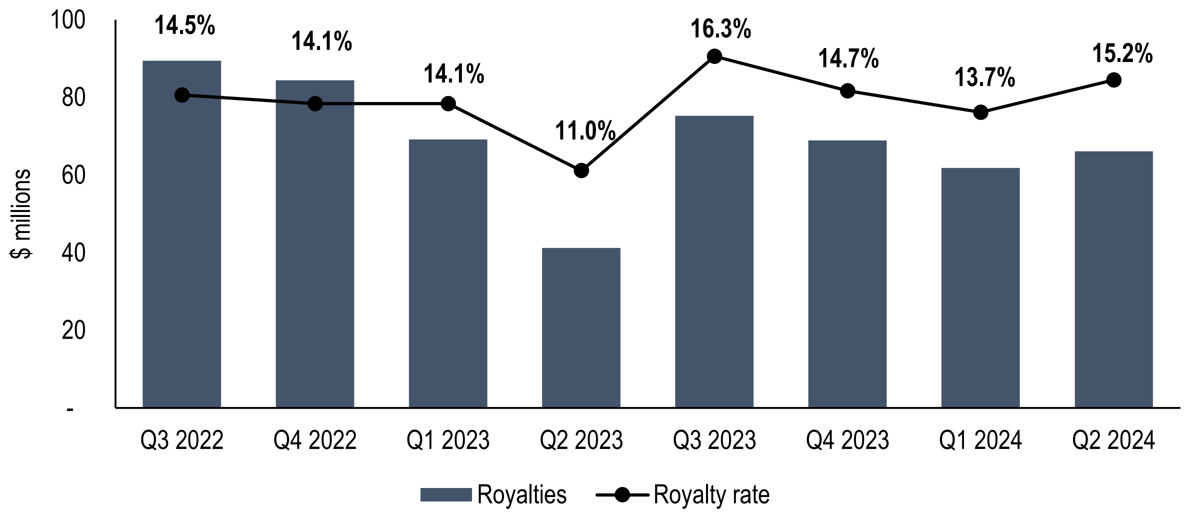
(1) Average rate is calculated using a weighted average of notional volumes and foreign currency exchange rates.

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

Royalties

	Three months ended June 30				Six months ended June 30			
	2024	Rate	2023	Rate	2024	Rate	2023	Rate
Royalties	**66.1**	**15.2%**	41.2	11.0%	**128.0**	**14.5%**	110.3	12.8%
$/Boe (1)	***7.60***		*5.12*		***7.15***		*6.57*	

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



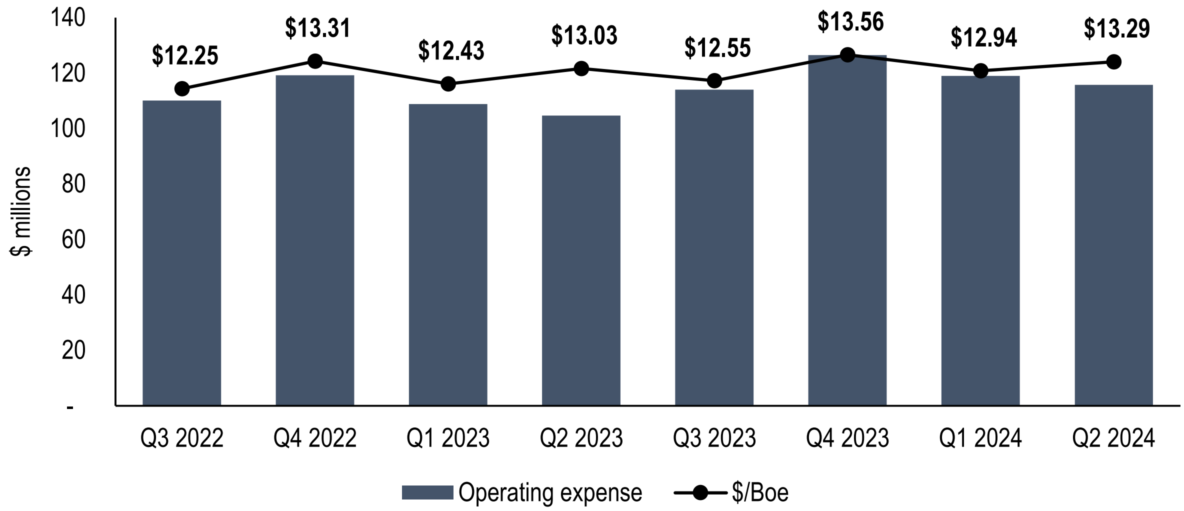
Royalties were $66.1 million in the second quarter of 2024 compared to $41.2 million in the same period in 2023. Royalties increased in the second quarter of 2024 mainly as a result of higher royalty rates and higher petroleum and natural gas sales. Royalty rates increased in the second quarter of 2024 mainly due to a greater proportion of wells having fully utilized incentives in the Grande Prairie Region and higher liquids prices.

For the six months ended June 30, 2024, royalties were $128.0 million compared to $110.3 million in the same period in 2023. Royalties increased in 2024 mainly as a result of higher royalty rates and higher petroleum and natural gas sales. Royalty rates increased in 2024 mainly due to a greater proportion of wells having fully utilized incentives in the Grande Prairie Region, partially offset by lower natural gas prices.

Operating Expense

	Three months ended June 30			Six months ended June 30		
	2024	2023	% Chg	2024	2023	% Chg
Operating expense	115.7	104.6	*11*	234.5	213.5	*10*
$/Boe (1)	*13.29*	*13.03*	2	*13.11*	*12.72*	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 $115.7 million in the second quarter of 2024, 11 percent higher than the same period in 2023. Operating expenses were $234.5 million in the first six months of 2024, 10 percent higher than the same period in 2023. Operating expenses for the three and six months ended June 30, 2024 were higher mainly due to increased workover and maintenance activities from the Grande Prairie Region Well Optimization Program.

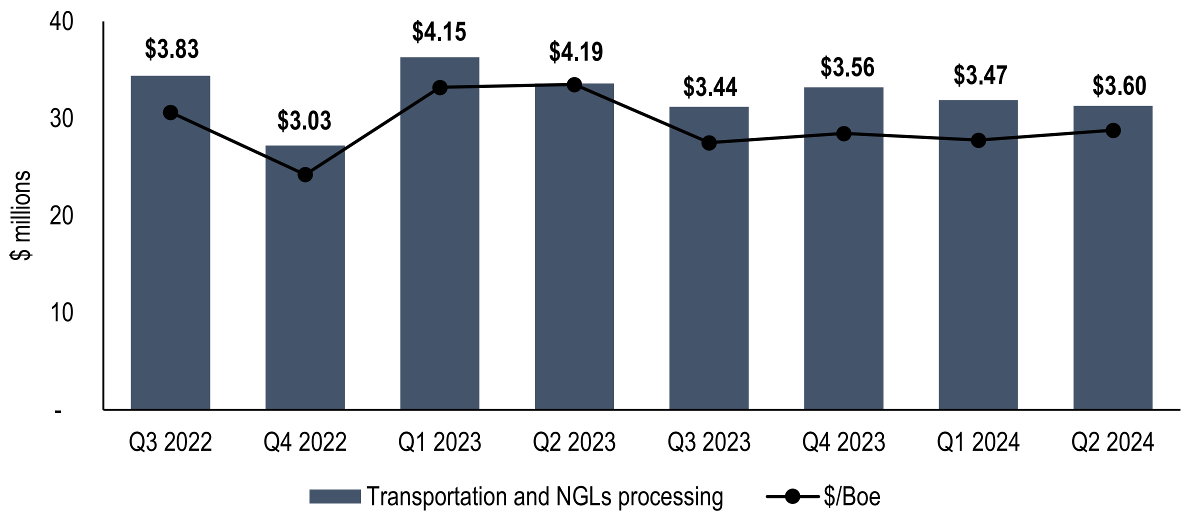
Second quarter 2024 operating expenses in the Grande Prairie Region were $82.6 million or $14.29/Boe compared to $70.7 million or $11.61/Boe for the same period in 2023. Grande Prairie Region operating costs for the six months ended June 30, 2024 were $162.7 million or ($13.69/Boe) compared to $141.1 million ($11.42/Boe) for the same period in 2023. Grande Prairie Region operating expenses and per unit operating expenses were higher in 2024 mainly as a result of the Grande Prairie Region Well Optimization Program.

Total Company operating expenses were $13.29/Boe and $13.11/Boe in the three and six months ended June 30, 2024, respectively, compared to $13.03/Boe and $12.72/Boe in the same periods in 2023. The increases were mainly due to the Grande Prairie Region Well Optimization Program, partially offset by higher sales volumes.

Transportation and NGLs Processing

	Three months ended June 30			Six months ended June 30		
	2024	2023	% Chg	2024	2023	% Chg
Transportation and NGLs processing	31.3	33.6	(7)	63.2	70.0	(10)
$/Boe [(1)]	*3.60*	*4.19*	*(14)*	*3.53*	*4.17*	*(15)*

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



Transportation and NGLs processing expense was $31.3 million ($3.60/Boe) and $63.2 million ($3.53/Boe), respectively, for the three and six months ended June 30, 2024 compared to $33.6 million ($4.19/Boe) and $70.0 million ($4.17/Boe) in the same periods in 2023. The decrease in transportation and NGLs processing expense in 2024 is mainly due to short-term optimization activities undertaken by the Company with respect to its transportation portfolio, partially offset by higher sales volumes in 2024.

Sales of Commodities Purchased and Commodities Purchased

	Three months ended June 30			Six months ended June 30		
	2024	2023	% Chg	2024	2023	% Chg
Sales of commodities purchased	84.4	47.7	77	139.1	162.8	(15)
Commodities purchased	(82.4)	(49.3)	67	(135.8)	(163.6)	(17)

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 interim condensed consolidated statements of comprehensive income in the Interim Financial Statements. For the three and six months ended June 30, 2023, a loss of $2.4 million was incurred relating to purchases made by the Company to fulfill sales commitments as a result of reduced sales volumes from the Alberta wildfires.

Other Items

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Depletion and depreciation	**111.6**	79.7	**222.9**	176.9
Change in asset retirement obligations	**28.7**	1.8	**32.2**	6.2
Exploration and evaluation expense	**2.9**	2.2	**7.6**	5.0
Gain on sale of oil and gas assets	**(0.3)**	(1.2)	**(15.9)**	(122.3)
Accretion of asset retirement obligations	**10.7**	10.9	**21.2**	21.6

Depletion and depreciation expense was $111.6 million in the second quarter of 2024, compared to $79.7 million in the same period of 2023. Depletion and depreciation expense was $222.9 million in the six months ended June 30, 2024 compared to $176.9 million in the same period in 2023. The increase in 2024 was mainly attributable to higher sales volumes and depletion rates per Boe.

For the six months ended June 30, 2024, the Company recorded a charge of $32.2 million (June 30, 2023 – $6.2 million) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment. In 2024, the changes mainly resulted from the credit-adjusted risk-free rate used to discount obligations being reduced from 7.75 percent per annum to 7.00 percent per annum. The changes in 2023 were due to revisions to the estimated costs.

Exploration and evaluation expense was $2.9 million and $7.6 million for the three and six months ended June 30, 2024, respectively, compared to $2.2 million and $5.0 million for the same periods in 2023.

In February 2024, Paramount sold certain non-core assets in the Kaybob Region for cash proceeds of $46.4 million while retaining a 2% no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets (the "2024 Kaybob Disposition"). A gain of $15.3 million was recognized on the sale. The properties sold had average sales volumes of approximately 850 Boe/d (1.2 MMcf/d of shale gas, 1.0 MMcf/d of conventional gas and 470 Bbl/d of NGLs) in the fourth quarter of 2023, the last full quarter prior to sale.

In mid-January 2023, Paramount closed the sale of its Kaybob Smoky and Kaybob South Duvernay properties and certain other minor interests in the Kaybob Region (the "2023 Kaybob Disposition"). Paramount received cash proceeds of $370.2 million on the sale, resulting in a $120.6 million gain on sale of oil and gas assets in 2023.

Accretion of asset retirement obligations was $10.7 million and $21.2 million for the three and six months ended June 30, 2024, respectively, relatively consistent compared to $10.9 million and $21.6 million for the same periods in 2023.

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations settled in the six months ended June 30, 2024 totaled $18.8 million. Activities in 2024 included the abandonment of 36 wells and the reclamation of 49 sites.

As at June 30, 2024, estimated undiscounted, uninflated asset retirement obligations were $1,265.5 million (December 31, 2023 – $1,295.4 million). The Company's discounted asset retirement obligations at June 30, 2024 were $631.8 million (discounted at 7.0 percent per annum and using an inflation rate of 2.0 percent per annum) compared to $587.3 million as at December 31, 2023 (discounted at 7.75 percent per annum and using an inflation rate of 2.0 percent per annum). The increase in the discounted asset retirement obligation at June 30, 2024 was due to a change in the rate used to discount obligations. 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	June 30, 2024	December 31, 2023
Level One Securities	450.7	422.0
Level Three Securities	128.8	118.9
	579.5	540.9

Paramount holds investments in a number of publicly-traded and private entities as part of its portfolio of investments. Investments in securities that are listed on a public stock exchange are classified as level one fair value hierarchy securities ("Level One Securities") and carried at their period-end trading prices. Investments in securities that are not listed on a public stock exchange are classified as level three fair value hierarchy securities ("Level Three Securities"). Estimates of fair values for these investments are based on valuation techniques that incorporate unobservable inputs.

Level One Securities at June 30, 2024 included 31.3 million NuVista Shares (December 31, 2023 – 37.3 million NuVista Shares), which had a carrying value of $444.4 million (December 31, 2023 – $411.3 million).

During the six months ended June 30, 2024, Paramount sold a portion of its Level One Securities, including 6.0 million NuVista Shares, for aggregate cash proceeds of $79.0 million, resulting in $57.7 million of accumulated gains, net of tax, being reclassified from reserves to retained earnings.

Level Three Securities at June 30, 2024 and December 31, 2023 included investments in the shares of Sultran Ltd. and Westbrick Energy Ltd.

For the three and six months ended June 30, 2024, the Company recorded an unrealized before tax gain of $85.7 million and $117.7 million, respectively, to other comprehensive income ("OCI") related to changes in the fair value estimates of investments in securities.

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

CORPORATE

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
General and administrative	**10.5**	12.1	**25.0**	27.1
Share-based compensation	**5.8**	4.3	**13.3**	11.3
Interest and financing	**1.5**	1.3	**3.1**	2.8
Deferred income tax expense	**21.9**	22.3	**46.0**	82.1
Other	**(9.3)**	(0.5)	**(9.8)**	(0.4)

General and administrative expense was $10.5 million and $25.0 million for the three and six months ended June 30, 2024, respectively, relatively consistent compared to $12.1 million and $27.1 million in the same periods in 2023.

Share-based compensation expense was $5.8 million and $13.3 million for the three and six months ended June 30, 2024, respectively, relatively consistent compared to $4.3 million and $11.3 million in the same periods in 2023.

Deferred income tax expense was $21.9 million and $46.0 million for the three and six months ended June 30, 2024, respectively, compared to $22.3 million and $82.1 million in the same periods in 2023.

Other for the three and six months ended June 30, 2024 was mainly related to dividend income of $7.9 million and $8.3 million, respectively, (June 30, 2023 – $nil and $0.4 million, respectively) from the Company's investments in securities.

CAPITAL EXPENDITURES AND LAND AND PROPERTY ACQUISITIONS

Capital Expenditures

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Drilling, completion, equipping and tie-ins	**202.4**	111.4	**349.6**	253.1
Facilities and gathering	**39.2**	17.7	**108.3**	51.2
Drilling rigs	**0.7**	7.1	**4.8**	10.2
Corporate	**(1.5)**	4.0	**(8.0)**	9.8
Capital expenditures	**240.8**	140.2	**454.7**	324.3
Grande Prairie Region	**154.8**	66.0	**275.0**	187.1
Kaybob Region	**40.9**	45.5	**97.2**	84.4
Central Alberta and Other Region	**45.9**	17.1	**85.6**	22.7
Fox Drilling and Cavalier Energy	**0.7**	7.6	**4.9**	20.3
Corporate (1)	**(1.5)**	4.0	**(8.0)**	9.8
Capital expenditures	**240.8**	140.2	**454.7**	324.3

(1) Includes transfers between regions.

Land and Property Acquisitions

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Land and property acquisitions	**2.4**	25.7	**3.0**	52.3

Capital expenditures totaled $240.8 million in the second quarter of 2024 compared to $140.2 million in the same period in 2023. Capital expenditures totaled $454.7 million in the first half of 2024 compared to $324.3 million in the same period in 2023. Significant capital program activities in the first half of 2024 included the following:

- In the Grande Prairie Region, the Company drilled 20 (20.0 net) Montney wells, completed 15 (15.0 net) Montney wells and brought onstream 8 (8.0 net) Montney wells. The construction of a new compressor node in the western portion of the Wapiti area was substantially completed at June 30, 2024 and commissioned in July.

- In the Kaybob Region, the Company drilled 9 (9.0 net) Duvernay wells and completed and brought onstream 11 (11.0 net) Duvernay wells.

- In the Central Alberta and Other Region, the construction of the Company's second natural gas processing plant at Willesden Green is ongoing. The Company also drilled 6 (6.0 net) Duvernay wells and brought onstream 2 (2.0 net) Duvernay wells at Willesden Green.

Land and property acquisitions totaled $2.4 million in the second quarter of 2024 compared to $25.7 million in the same period in 2023. Land and property acquisitions totaled $3.0 million in the first half of 2024 compared to $52.3 million in the same period in 2023.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

iii. maximize shareholder returns considering the risk environment.

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

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

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

As at	June 30, 2024	December 31, 2023
Cash and cash equivalents	(37.9)	(48.9)
Accounts receivable (1)	(165.8)	(155.0)
Prepaid expenses and other	(22.9)	(9.0)
Accounts payable and accrued liabilities	255.9	272.5
Net (cash) debt	29.3	59.6

(1) Excludes accounts receivable relating to lease incentives (June 30, 2024 – $0.8 million, December 31, 2023 – $0.8 million).

Net (cash) debt does not account for the $579.5 million carrying value of the Company's investments in securities at June 30, 2024 (December 31, 2023 – $540.9 million).

Paramount's operations are capital intensive and adequate sources of liquidity are required to fund ongoing exploration and development activities, discharge asset retirement obligations and satisfy its other contractual obligations and commitments. Paramount's available capital resources include cash from operating activities, available capacity under its senior secured revolving bank credit facility (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 2024 sales volumes and the pricing assumptions set out in this MD&A under the "Guidance" section, Paramount expects to fully fund its forecast 2024 annual maintenance and sustaining capital expenditures, abandonment and reclamation expenditures and regular monthly dividends from cash from operating activities. Paramount expects to utilize borrowing capacity under the Paramount Facility to fund the portion of its forecast 2024 growth capital expenditures not otherwise funded by cash from operating activities or other sources.

The ability of cash from operating activities to satisfy the Company's funding requirements in 2024 and future years is dependent on a number of factors, including commodity prices, sales volumes, royalties, operating and transportation costs, general and administrative and interest expenses and foreign 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 April 2024, the Company sold 6.0 million NuVista Shares for net cash proceeds of $74.8 million. In the first quarter of 2024, Paramount closed the 2024 Kaybob Disposition for cash proceeds of $46.4 million. In the first quarter of 2023, the Company closed the 2023 Kaybob Disposition for cash proceeds of $370.2 million and repaid all remaining drawings then outstanding 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.

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling $2.2 million at June 30, 2024 (December 31, 2023 – $3.1 million) that reduce the amount available to be drawn on the facility.

For additional information concerning the Paramount Facility, 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 from Export Development Canada that is valid to June 30, 2025. At June 30, 2024, $28.7 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2023 – $30.1 million).

Cash Flow Hedges

The Company had the following electricity swaps at June 30, 2024:

Contract type	Aggregate notional (1)	Remaining term	Average fixed contract rate (1)	Reference (1)	Fair value
Electricity Swaps (Buy)	240 MWh/d	July 2024 – December 2024	$66.13/MWh	AESO Pool Price	(0.3)
Electricity Swaps (Buy)	240 MWh/d	January 2025 – December 2025	$71.13/MWh	AESO Pool Price	(1.6)
					(1.9)

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

The Company has classified its electricity swaps as cash flow hedges and applied hedge accounting. There were no changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified at June 30, 2024.

Subsequent to June 30, 2024, Paramount entered into the following electricity swaps, which were designated as cash flow hedges, to manage exposure to variable market prices by fixing the underlying AESO Pool Price on a portion of the Company's anticipated power requirements between 2025 and 2030:

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

(1) Reference electricity rate: Floating hourly rate established by the AESO. "MWh" means megawatt-hour.

Share Capital

At July 29, 2024, Paramount had 146.7 million Common Shares outstanding (net of 0.2 million Common Shares held in trust under the Company's restricted share unit plan) and 9.4 million options to acquire Common Shares outstanding, of which 1.6 million options are exercisable.

For the six months ended June 30, 2024, Paramount issued 2.3 million Common Shares on the exercise of options to acquire Common Shares.

Dividends

In the six months ended June 30, 2024, Paramount declared total dividends of $0.80 per Common Share or $116.2 million (June 30, 2023 – $1.75 per Common Share or $250.2 million comprised of a special dividend of $1.00 per Common Share and regular monthly dividends totaling $0.75 per Common Share).

On July 31, 2024, the Company paid a regular monthly cash dividend of $0.15 per Common Share to shareholders of record on July 15, 2024.

Normal Course Issuer Bid

In July 2024, Paramount implemented a normal course issuer bid (the "2024 NCIB") under which the Company may purchase up to 7.9 million Common Shares for cancellation. The 2024 NCIB will terminate on the earlier of July 7, 2025 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2024 NCIB are purchased. Purchases of Common Shares under the 2024 NCIB will be made through the facilities of the TSX 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 2024 NCIB to date.

Pursuant to the rules of the TSX, the Company may purchase a maximum of 60,582 Common Shares under the 2024 NCIB in any one day. Paramount may also make one block purchase per calendar week which exceeds such daily purchase limit, subject to the rules of the TSX. Any Common Shares purchased pursuant to the 2024 NCIB will be cancelled by the Company. Any shareholder may obtain, for no charge, a copy of the notice in respect of the 2024 NCIB filed with the TSX by contacting the Company at 403-290-3600.

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

QUARTERLY INFORMATION

	2024		2023				2022	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Petroleum and natural gas sales	**443.6**	452.3	470.5	463.8	374.4	489.7	597.7	618.9
Revenue	**461.9**	445.2	451.8	430.7	380.9	535.7	616.0	607.4
Net income	**84.5**	68.1	111.9	87.2	74.2	197.0	259.9	221.9
Per share – basic ($/share)	***0.58***	*0.47*	*0.78*	*0.61*	*0.52*	*1.39*	*1.83*	*1.57*
Per share – diluted ($/share)	***0.57***	*0.46*	*0.75*	*0.59*	*0.50*	*1.33*	*1.76*	*1.51*
Cash from operating activities	**220.5**	201.3	287.0	207.6	172.2	271.4	306.9	248.9
Per share – basic ($/share) (1)	***1.51***	*1.39*	*1.99*	*1.45*	*1.20*	*1.91*	*2.17*	*1.76*
Per share – diluted ($/share) (1)	***1.47***	*1.35*	*1.93*	*1.40*	*1.16*	*1.84*	*2.08*	*1.69*
Adjusted funds flow (1)	**266.2**	225.6	284.1	234.2	178.7	268.2	340.7	334.3
Per share – basic ($/share)	***1.82***	*1.56*	*1.97*	*1.64*	*1.25*	*1.89*	*2.40*	*2.37*
Per share – diluted ($/share)	***1.78***	*1.52*	*1.91*	*1.58*	*1.21*	*1.81*	*2.31*	*2.27*
Free cash flow (1)	**20.3**	(9.5)	59.7	18.5	30.5	59.8	162.0	137.5
Per share – basic ($/share)	***0.14***	*(0.07)*	0.41	0.13	0.21	0.42	1.14	0.97
Per share – diluted ($/share)	***0.14***	*(0.07)*	0.40	0.12	0.21	0.40	1.10	0.93
Dividends declared ($/share)	**0.425**	0.375	0.375	0.375	0.375	1.375	0.35	0.30
Sales volumes								
Natural gas (MMcf/d)	**296.8**	318.7	326.2	323.1	290.2	320.6	321.9	315.9
Condensate and oil (Bbl/d)	**39,206**	40,908	40,290	38,161	34,230	37,916	37,580	38,804
Other NGLs (Bbl/d)	**6,928**	6,954	6,698	6,627	5,648	5,916	6,143	6,144
Total (Boe/d)	**95,609**	100,977	101,348	98,644	88,243	97,269	97,370	97,601
Liquids %	***48%***	*47%*	*46%*	*45%*	*45%*	*45%*	*45%*	*46%*
Realized prices (1)								
Natural gas ($/Mcf)	**1.69**	2.84	2.79	2.67	2.43	4.23	6.56	6.39
Condensate and oil ($/Bbl)	**103.07**	92.64	98.12	103.36	94.42	100.66	108.50	112.56
Other NGLs ($/Bbl)	**33.07**	37.81	36.00	33.64	30.86	43.93	48.25	51.20
Petroleum and natural gas ($/Boe)	**50.99**	49.24	50.46	51.11	46.63	55.94	66.72	68.92

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

Significant Items Impacting Quarterly Results

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

- Second quarter 2024 earnings include a $36.0 million gain on risk management contracts, $10.0 million related to an interim payment from insurers for 2023 wildfire losses and $7.9 million in dividends on the Company's investments in securities.
- First quarter 2024 earnings include a $15.6 million gain on the sale of oil and gas assets.
- Fourth quarter 2023 earnings include a $53.4 million gain on risk management contracts.
- Third quarter 2023 earnings include the impacts of higher sales volumes following the Alberta wildfires in the second quarter.
- Second quarter 2023 earnings include the impacts of the Alberta wildfires on sales volumes and netback.
- First quarter 2023 earnings include a $121.1 million gain on the sale of oil and gas assets.
- Fourth quarter 2022 earnings include deferred income tax expense of $68.5 million, a provision recovery 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 sales volumes and petroleum and natural gas sales revenue.

OTHER INFORMATION

Contingencies

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

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 June 30, 2024, 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.

PRODUCT TYPE INFORMATION

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

	2024		2023				2022		YTD June 30	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	2024	2023
SALES VOLUMES – TOTAL COMPANY BY PRODUCT TYPE										
Shale gas (MMcf/d)	**243.1**	268.5	271.8	276.7	246.0	265.2	260.0	253.8	255.8	255.5
Conventional natural gas (MMcf/d)	**53.7**	50.2	54.4	46.4	44.2	55.4	61.9	62.1	52.0	49.8
Natural gas (MMcf/d)	**296.8**	318.7	326.2	323.1	290.2	320.6	321.9	315.9	307.8	305.3
Condensate (Bbl/d)	**36,825**	38,332	37,522	35,984	32,341	34,706	34,616	35,747	37,579	33,517
Other NGLs (Bbl/d)	**6,928**	6,954	6,698	6,627	5,648	5,916	6,143	6,144	6,941	5,781
NGLs (Bbl/d)	**43,753**	45,286	44,220	42,611	37,989	40,622	40,759	41,891	44,520	39,298
Light and medium crude oil (Bbl/d)	**1,566**	1,595	1,636	1,154	942	2,151	2,335	2,608	1,580	1,544
Tight oil (Bbl/d)	**466**	592	699	627	538	599	629	449	529	568
Heavy crude oil (Bbl/d)	**349**	389	433	396	409	460	–	–	369	434
Crude oil (Bbl/d)	**2,381**	2,576	2,768	2,177	1,889	3,210	2,964	3,057	2,478	2,546
Total (Boe/d)	**95,609**	100,977	101,348	98,644	88,243	97,269	97,370	97,601	98,293	92,731

SALES VOLUMES – BY REGION BY PRODUCT TYPE										
GRANDE PRAIRIE REGION										
Shale gas (MMcf/d)	**187.0**	201.6	214.1	222.8	196.1	204.0	188.4	188.2	194.3	200.0
Conventional natural gas (MMcf/d)	**0.3**	0.2	0.3	0.4	0.3	0.4	1.5	1.4	0.2	0.4
Natural gas (MMcf/d)	**187.3**	201.8	214.4	223.2	196.4	204.4	189.9	189.6	194.5	200.4
Condensate (Bbl/d)	**27,936**	29,061	32,155	32,145	30,046	31,367	29,146	30,610	28,498	30,703
Other NGLs (Bbl/d)	**4,179**	4,334	4,742	4,815	4,012	4,074	3,631	3,758	4,256	4,043
NGLs (Bbl/d)	**32,115**	33,395	36,897	36,960	34,058	35,441	32,777	34,368	32,754	34,746
Light and medium crude oil (Bbl/d)	**–**	–	–	–	–	–	–	5	–	–
Tight oil (Bbl/d)	**147**	141	227	220	159	–	–	–	144	80
Crude oil (Bbl/d)	**147**	141	227	220	159	–	–	5	144	80
Total (Boe/d)	**63,480**	67,163	72,860	74,381	66,950	69,507	64,434	65,981	65,322	68,222

KAYBOB REGION										
Shale gas (MMcf/d)	**35.8**	30.6	30.2	28.0	21.7	31.8	41.9	38.5	33.2	26.7
Conventional natural gas (MMcf/d)	**48.8**	47.7	49.6	41.7	38.4	49.6	55.0	54.8	48.3	44.0
Natural gas (MMcf/d)	**84.6**	78.3	79.8	69.7	60.1	81.4	96.9	93.3	81.5	70.7
Condensate (Bbl/d)	**6,617**	6,038	4,003	2,981	1,301	2,315	4,354	4,157	6,328	1,804
Other NGLs (Bbl/d)	**1,599**	1,480	1,209	1,188	891	988	1,671	1,666	1,539	939
NGLs (Bbl/d)	**8,216**	7,518	5,212	4,169	2,192	3,303	6,025	5,823	7,867	2,743
Light and medium crude oil (Bbl/d)	**1,544**	1,573	1,602	1,131	914	2,121	2,045	2,434	1,558	1,515
Tight oil (Bbl/d)	**80**	212	205	104	115	206	262	208	146	160
Crude oil (Bbl/d)	**1,624**	1,785	1,807	1,235	1,029	2,327	2,307	2,642	1,704	1,675
Total (Boe/d)	**23,946**	22,353	20,324	17,027	13,238	19,201	24,477	24,021	23,149	16,203

	2024		2023				2022		YTD June 30	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	2024	2023
CENTRAL ALBERTA AND OTHER REGION										
Shale gas (MMcf/d)	20.3	36.3	27.5	25.9	28.2	29.4	29.7	27.1	28.3	28.8
Conventional natural gas (MMcf/d)	4.6	2.3	4.5	4.3	5.5	5.4	5.4	5.9	3.5	5.4
Natural gas (MMcf/d)	24.9	38.6	32.0	30.2	33.7	34.8	35.1	33.0	31.8	34.2
Condensate (Bbl/d)	2,272	3,233	1,364	858	994	1,024	1,116	980	2,753	1,010
Other NGLs (Bbl/d)	1,150	1,140	747	624	745	854	841	720	1,146	799
NGLs (Bbl/d)	3,422	4,373	2,111	1,482	1,739	1,878	1,957	1,700	3,899	1,809
Light and medium crude oil (Bbl/d)	22	22	34	23	28	30	290	169	22	29
Tight oil (Bbl/d)	239	239	267	303	264	393	367	241	239	328
Heavy crude oil (Bbl/d)	349	389	433	396	409	460	–	–	369	434
Crude oil (Bbl/d)	610	650	734	722	701	883	657	410	630	791
Total (Boe/d)	8,183	11,461	8,164	7,236	8,055	8,561	8,459	7,599	9,822	8,306

The Company forecasts that 2024 annual sales volumes will average between 100,000 Boe/d and 106,000 Boe/d (52% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 7% Other NGLs). Third quarter 2024 sales volumes are expected to average between 96,000 Boe/d and 104,000 Boe/d (51% shale gas and conventional natural gas combined, 42% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 7% Other NGLs). Fourth quarter 2024 sales volumes are expected to average between 109,000 Boe/d and 121,000 Boe/d (52% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 7% Other NGLs).

SPECIFIED FINANCIAL MEASURES

Non-GAAP Financial Measures

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

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

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

A calculation of netback and netback including risk management contract settlements for the three and six months ended June 30, 2024 and 2023 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 sales volumes during the period in Boe. Netback including risk management contract settlements on a $/Boe basis is calculated by dividing netback including risk management contract settlements for the applicable period by the total sales volumes during the period in Boe. These measures are used by investors and Management to assess netback and netback including risk management contract settlements on a unit of sales volumes basis.

Capital Management Measures

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

A reconciliation of adjusted funds flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three and six months ended June 30, 2024 and 2023 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 six months ended June 30, 2024 and 2023 is provided in this MD&A under "Consolidated Results – Free Cash Flow".

A calculation of net (cash) debt as at June 30, 2024 and December 31, 2023 is provided in this MD&A under the "Liquidity and Capital Resources" section. At June 30, 2024, Paramount's net debt to adjusted funds flow (determined on a trailing four quarter basis) was 0.0x (December 31, 2023 – 0.1x).

Supplementary Financial Measures

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

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

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

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

ADVISORIES

Forward-looking Information

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

- forecast sales volumes for 2024 and certain periods therein;
- planned capital expenditures in 2024 and the allocation thereof between sustaining and maintenance capital and growth capital;
- planned abandonment and reclamation expenditures in 2024;
- forecast free cash flow in 2024;
- the expected timing of bringing shut-in natural gas production back on;
- a planned outage at the Wapiti natural gas processing plant;
- the expected sources of funding for forecast 2024 capital expenditures, abandonment and reclamation expenditures and regular monthly dividends;
- 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 in Ukraine and the Middle East;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates, interest rates and the rate and impacts of inflation;
- general business, economic and market conditions;
- the performance of wells and facilities;
- the availability to Paramount of the funds required for exploration, development and other operations and the meeting of commitments and financial obligations;
- the ability of Paramount to obtain equipment, materials, services and personnel in a timely manner and at expected and acceptable costs to carry out its activities;

- the ability of Paramount to secure adequate processing, transportation, fractionation, disposal and storage capacity on acceptable terms and the capacity and reliability of facilities;
- the ability of Paramount to obtain the volumes of water required for completion activities;
- the ability of Paramount to market its production successfully;
- the ability of Paramount and its industry partners to obtain drilling success (including in respect of anticipated sales volumes, reserves additions, product yields and product recoveries) and operational improvements, efficiencies and results consistent with expectations;
- the timely receipt of required governmental and regulatory approvals;
- the application of regulatory requirements respecting abandonment and reclamation;
- the merits of outstanding and pending legal proceedings; and
- anticipated timelines and budgets being met in respect of: (i) drilling programs and other operations, including well completions and tie-ins, (ii) the construction, commissioning and start-up of new and expanded third-party and Company facilities, including the new natural gas processing facility at Willesden Green, and (iii) facility turnarounds and maintenance.

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

- those risks set out in this MD&A under "Risk Factors";
- fluctuations in commodity prices;
- changes in capital spending plans and planned exploration and development activities;
- changes in foreign currency exchange rates, interest rates and the rate of inflation;
- the uncertainty of estimates and projections relating to future production, product yields (including condensate to natural gas ratios), revenue, free cash flow, reserves additions, product recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate processing, transportation, fractionation, disposal and storage capacity on acceptable terms;
- operational risks in exploring for, developing, producing and transporting natural gas and liquids, including the risk of spills, leaks or blowouts;
- risks associated with wildfires, including the risk of physical loss or damage to wells, facilities, pipelines and other infrastructure, prolonged disruptions in production, restrictions on the ability to access properties, interruption of electrical and other services and significant delays or changes to planned development activities and facilities maintenance;
- the ability to obtain equipment, materials, services and personnel in a timely manner and at expected and acceptable costs, including the potential effects of inflation and supply chain disruptions;
- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities, including third-party facilities and the new natural gas processing facility at Willesden Green;
- processing, transportation, fractionation, disposal and storage outages, disruptions and constraints;
- potential limitations on access to the volumes of water required for completion activities due to drought, conditions of low river flow, government restrictions or other factors;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves estimates;
- general business, economic and market conditions;

- the ability to generate sufficient cash from operating activities to fund, or to otherwise finance planned exploration, development and operational activities and meet current and future commitments and obligations (including asset retirement obligations, processing, transportation, fractionation and similar commitments and obligations);
- changes in, or in the interpretation of, laws, regulations or policies (including environmental laws);
- the ability to obtain required governmental or regulatory approvals in a timely manner and to obtain and maintain leases and licenses, including those required for the new natural gas processing facility at Willesden Green;
- the effects of weather and other factors including wildlife and environmental restrictions which affect field operations and access;
- uncertainties as to the timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- uncertainties regarding Indigenous claims and in maintaining relationships with local populations and other stakeholders;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities.

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

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risk Factors" in Paramount's Annual Information Form for the year ended December 31, 2023, 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 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 six months ended June 30, 2024, the value ratio between crude oil and natural gas was approximately 61:1. 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 six months ended June 30, 2024

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

As at	Note	June 30 2024	December 31 2023
ASSETS			
Current assets			
Cash and cash equivalents	14	**37.9**	48.9
Accounts receivable		**166.6**	155.8
Risk management – current	11	**1.3**	9.9
Prepaid expenses and other		**22.9**	9.0
		228.7	223.6
Investments in securities	4	**579.5**	540.9
Exploration and evaluation	2	**530.0**	546.6
Property, plant and equipment, net	3	**3,105.9**	2,874.1
Deferred income tax		**145.1**	203.5
		4,589.2	4,388.7
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**255.9**	272.5
Risk management – current	11	**4.5**	–
Asset retirement obligations and other – current	6	**44.2**	40.5
		304.6	313.0
Risk management – long-term	11	**1.4**	0.5
Asset retirement obligations and other – long-term	6	**618.2**	576.0
		924.2	889.5
Commitments and contingencies	16		
Shareholders' equity			
Share capital	7	**2,323.8**	2,302.0
Retained earnings		**726.6**	632.4
Reserves	8	**614.6**	564.8
		3,665.0	3,499.2
		4,589.2	4,388.7

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 June 30		Six months ended June 30	
		2024	2023	2024	2023
Petroleum and natural gas sales		443.6	374.4	896.0	864.2
Royalties		(66.1)	(41.2)	(128.0)	(110.3)
Sales of commodities purchased		84.4	47.7	139.1	162.8
Revenue	12	461.9	380.9	907.1	916.7
Gain on risk management contracts	11	36.0	13.7	24.7	11.8
		497.9	394.6	931.8	928.5
Expenses					
Operating expense		115.7	104.6	234.5	213.5
Transportation and NGLs processing		31.3	33.6	63.2	70.0
Commodities purchased		82.4	49.3	135.8	163.6
General and administrative		10.5	12.1	25.0	27.1
Share-based compensation	9	5.8	4.3	13.3	11.3
Depletion and depreciation	3	140.3	81.5	255.1	183.1
Exploration and evaluation	2	2.9	2.2	7.6	5.0
Gain on sale of oil and gas assets	3	(0.3)	(1.2)	(15.9)	(122.3)
Interest and financing		1.5	1.3	3.1	2.8
Accretion of asset retirement obligations	6	10.7	10.9	21.2	21.6
Other	13	(9.3)	(0.5)	(9.8)	(0.4)
		391.5	298.1	733.1	575.3
Income before tax		106.4	96.5	198.7	353.2
Income tax expense					
Deferred	10	21.9	22.3	46.0	82.1
		21.9	22.3	46.0	82.1
Net income		84.5	74.2	152.7	271.1
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		(0.8)	1.6	(2.0)	(0.4)
Reclassification to net income, net of tax		0.3	(1.0)	(0.2)	(2.2)
Items that will not be reclassified to net income					
Change in fair value of securities, net of tax	4	76.2	(7.8)	104.6	(59.9)
Comprehensive income		160.2	67.0	255.1	208.6
Net income per common share ($/share)	7				
Basic		0.58	0.52	1.05	1.90
Diluted		0.57	0.50	1.02	1.83

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

($ millions)

	Note	Three months ended June 30 2024	Three months ended June 30 2023	Six months ended June 30 2024	Six months ended June 30 2023
Operating activities					
Net income		**84.5**	74.2	**152.7**	271.1
Add (deduct):					
Items not involving cash	14	**178.9**	102.4	**332.1**	168.7
Asset retirement obligations settled	6	**(2.3)**	(5.9)	**(18.8)**	(27.8)
Change in non-cash working capital		**(40.6)**	1.5	**(44.1)**	31.4
Cash from operating activities		**220.5**	172.2	**421.9**	443.4
Financing activities					
Net repayment of revolving long-term debt	5	**–**	–	**–**	(161.8)
Lease liabilities – principal repayments	6	**(0.9)**	(0.8)	**(2.0)**	(2.4)
Dividends	7	**(62.1)**	(53.8)	**(116.2)**	(250.2)
Common Shares issued, net of issue costs	7	**10.6**	3.6	**18.7**	6.5
RSU plan	9	**(14.9)**	(8.0)	**(15.3)**	(8.8)
Cash used in financing activities		**(67.3)**	(59.0)	**(114.8)**	(416.7)
Investing activities					
Capital expenditures	2,3	**(240.8)**	(140.2)	**(454.7)**	(324.3)
Land and property acquisitions	2,3	**(2.4)**	(25.7)	**(3.0)**	(52.3)
Proceeds of disposition	3,4	**75.0**	1.1	**127.2**	372.2
Change in non-cash working capital		**(4.5)**	8.5	**11.8**	14.2
Cash (used in) from investing activities		**(172.7)**	(156.3)	**(318.7)**	9.8
Net (decrease) increase		**(19.5)**	(43.1)	**(11.6)**	36.5
Foreign exchange on cash and cash equivalents		**0.3**	(0.2)	**0.6**	(0.4)
Cash and cash equivalents, beginning of period		**57.1**	81.9	**48.9**	2.5
Cash and cash equivalents, end of period		**37.9**	38.6	**37.9**	38.6

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)

Six months ended June 30	Note	2024		2023	
		Shares (millions)		*Shares (millions)*	
Share capital					
Balance, beginning of period		*144.2*	2,302.0	*142.0*	2,267.1
Issued on exercise of Paramount Options	7,9	*2.3*	24.6	*0.7*	8.6
Change in Common Shares for RSU plan	9	*0.2*	(2.8)	*0.4*	14.3
Balance, end of period		*146.7*	2,323.8	*143.1*	2,290.0
Retained earnings					
Balance, beginning of period			632.4		517.6
Net income			152.7		271.1
Dividends	7		(116.2)		(250.2)
Reclassification of accumulated gain on securities	4		57.7		–
Balance, end of period			726.6		538.5
Reserves	8				
Balance, beginning of period			564.8		593.4
Other comprehensive income (loss)			102.4		(62.5)
Contributed surplus			5.1		(9.2)
Reclassification of accumulated gain on securities	4		(57.7)		–
Balance, end of period			614.6		521.7
Shareholders' equity			3,665.0		3,350.2

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 the Company's 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 six months ended June 30, 2024 (the "Interim Financial Statements"), were authorized for issuance by the Audit Committee of Paramount's Board of Directors on July 31, 2024.

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, 2023 (the "Annual Financial Statements").

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. All references to $ are to Canadian dollars, unless otherwise noted. 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

	Six months ended June 30, 2024	Twelve months ended December 31, 2023
Balance, beginning of period	**546.6**	485.7
Additions	**0.2**	0.4
Acquisitions	**3.0**	66.2
Change in asset retirement provision	**0.5**	1.5
Transfers to property, plant and equipment	**(7.6)**	(2.2)
Expired lease costs	**(0.1)**	(3.3)
Dispositions	**(12.6)**	(1.7)
Balance, end of period	**530.0**	546.6

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

Exploration and Evaluation Expense

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Geological and geophysical expense	2.8	2.1	7.5	4.6
Expired lease costs	0.1	0.1	0.1	0.4
	2.9	2.2	7.6	5.0

At June 30, 2024, 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

Six months ended June 30, 2024	Petroleum and natural gas assets	Drilling rigs	Right-of-use assets	Other	Total
Cost					
Balance, beginning of period	5,412.3	175.8	29.7	57.4	5,675.2
Additions	448.7	4.8	3.0	5.8	462.3
Transfers	7.6	–	–	–	7.6
Dispositions	(97.5)	–	(1.2)	–	(98.7)
Derecognition	–	–	(1.2)	–	(1.2)
Change in asset retirement provision	25.3	–	–	–	25.3
Cost, end of period	5,796.4	180.6	30.3	63.2	6,070.5
Accumulated depletion and depreciation					
Balance, beginning of period	(2,664.2)	(96.9)	(8.9)	(31.1)	(2,801.1)
Depletion and depreciation	(217.1)	(5.5)	(2.2)	(2.8)	(227.6)
Dispositions	61.7	–	1.2	–	62.9
Derecognition	–	–	1.2	–	1.2
Accumulated depletion and depreciation, end of period	(2,819.6)	(102.4)	(8.7)	(33.9)	(2,964.6)
Net book value, December 31, 2023	2,748.1	78.9	20.8	26.3	2,874.1
Net book value, June 30, 2024	2,976.8	78.2	21.6	29.3	3,105.9

In February 2024, Paramount sold certain non-core assets in its Kaybob cash-generating unit ("CGU") for cash proceeds of $46.4 million while retaining a 2% no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets. A gain of $15.3 million was recognized on the sale.

In January 2023, the Company sold its Kaybob Smoky and Kaybob South Duvernay properties and certain other minor interests in its Kaybob CGU. Paramount received cash proceeds of $370.2 million on the sale, resulting in a $120.6 million gain on sale of oil and gas assets in 2023.

Depletion and Depreciation

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Depletion and depreciation	111.6	79.7	222.9	176.9
Change in asset retirement obligations	28.7	1.8	32.2	6.2
	140.3	81.5	255.1	183.1

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

For the six months ended June 30, 2024, the Company recorded a charge of $32.2 million (June 30, 2023 – $6.2 million) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment. In 2024, the changes mainly resulted from the credit-adjusted risk-free rate used to discount obligations being reduced from 7.75 percent per annum to 7.00 percent per annum. The changes in 2023 were due to revisions to the estimated costs.

At June 30, 2024, the Company assessed its property, plant and equipment assets for indicators of potential impairment and none were identified.

4. Investments in Securities

As at	June 30, 2024	December 31, 2023
Level One Securities	450.7	422.0
Level Three Securities	128.8	118.9
	579.5	540.9

Paramount holds investments in a number of publicly-traded and private entities as part of its portfolio of investments. Investments in securities that are listed on a public stock exchange are classified as level one fair value hierarchy securities ("Level One Securities") and carried at their period-end trading prices. Investments in securities that are not listed on a public stock exchange are classified as level three fair value hierarchy securities ("Level Three Securities"). Estimates of fair values for these investments are based on valuation techniques that incorporate unobservable inputs.

Level One Securities at June 30, 2024 included 31.3 million shares of NuVista Energy Ltd. ("NuVista Shares") (December 31, 2023 – 37.3 million NuVista Shares), which had a carrying value of $444.4 million (December 31, 2023 – $411.3 million).

During the six months ended June 30, 2024, Paramount sold a portion of its Level One Securities, including 6.0 million NuVista Shares, for aggregate cash proceeds of $79.0 million, resulting in $57.7 million of accumulated gains, net of tax, being reclassified from reserves to retained earnings.

Level Three Securities at June 30, 2024 and December 31, 2023 included investments in the shares of Sultran Ltd. and Westbrick Energy Ltd.

For the three and six months ended June 30, 2024, the Company recorded an unrealized before tax gain of $85.7 million and $117.7 million, respectively, to other comprehensive income ("OCI") related to changes in the fair value estimates of investments in securities.

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

	Six months ended June 30, 2024	Twelve months ended December 31, 2023
Investments in securities, beginning of period	540.9	557.1
Changes in fair value of Level One Securities	107.7	(56.6)
Changes in fair value of Level Three Securities	10.0	39.5
Changes in fair value of warrants – recorded in earnings	(0.1)	(0.5)
Acquired	–	1.4
Proceeds of dispositions	(79.0)	–
Investments in securities, end of period	579.5	540.9

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

5. Long-Term Debt

As at	June 30, 2024	December 31, 2023
Paramount Facility	–	–

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 June 30, 2024.

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling $2.2 million at June 30, 2024 (December 31, 2023 – $3.1 million) that reduce the amount available to be drawn on the facility.

For additional information concerning the Paramount Facility, 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 from Export Development Canada that is valid to June 30, 2025. At June 30, 2024, $28.7 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2023 – $30.1 million).

6. Asset Retirement Obligations and Other

As at June 30, 2024	Current	Long-term	Total
Asset retirement obligations	40.6	591.2	631.8
Lease liabilities	3.6	27.0	30.6
Asset retirement obligations and other	**44.2**	**618.2**	**662.4**

As at December 31, 2023	Current	Long-term	Total
Asset retirement obligations	37.5	549.8	587.3
Lease liabilities	3.0	26.2	29.2
Asset retirement obligations and other	**40.5**	**576.0**	**616.5**

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

Asset Retirement Obligations

	Six months ended June 30, 2024	Twelve months ended December 31, 2023
Asset retirement obligations, beginning of period	587.3	540.1
Additions	0.6	5.9
Change in estimates	9.1	10.5
Change in discount rate	48.3	42.8
Obligations settled	(18.8)	(54.6)
Dispositions	(15.9)	(0.6)
Accretion expense	21.2	43.2
Asset retirement obligations, end of period	631.8	587.3

As at June 30, 2024, estimated undiscounted, uninflated asset retirement obligations were $1,265.5 million (December 31, 2023 – $1,295.4 million). Asset retirement obligations have been determined using a credit-adjusted risk-free discount rate of 7.0 percent per annum (December 31, 2023 – 7.75 percent per annum) and an inflation rate of 2.0 percent per annum (December 31, 2023 – 2.0 percent per annum).

Lease Liabilities

	Six months ended June 30, 2024	Twelve months ended December 31, 2023
Balance, beginning of period	29.2	18.0
Additions	3.0	14.7
Interest expense	1.1	1.5
Obligations settled	(2.7)	(5.0)
Balance, end of period	30.6	29.2

Paramount has lease liabilities in respect of office space and vehicles, which have been recognized at the discounted value of the remaining fixed lease payments. For the six months ended June 30, 2024, total cash principal payments made in respect of these lease liabilities were $2.0 million (June 30, 2023 – $2.4 million).

For the six months ended June 30, 2024, expenses related to arrangements containing variable operating costs, short-term and low value leases which have not been included in the lease liabilities were approximately $1.2 million (June 30, 2023 – $1.2 million).

7. Share Capital

At June 30, 2024, 146.7 million (December 31, 2023 – 144.2 million) class A common shares of Paramount ("Common Shares") were outstanding, net of 0.2 million (December 31, 2023 – 0.4 million) Common Shares held in trust under the Company's restricted share unit ("RSU") plan.

For the six months ended June 30, 2024, the Company paid total cash dividends of $0.80 per Common Share or $116.2 million (June 30, 2023 – $1.75 per Common Share or $250.2 million comprised of a special dividend of $1.00 per Common Share or $142.9 million and regular monthly dividends totaling $0.75 per Common Share or $107.3 million). On July 31, 2024, the Company paid a regular monthly dividend of $22.0 million, or $0.15 per Common Share.

In July 2024, Paramount implemented a normal course issuer bid (the "2024 NCIB") under which the Company may purchase up to 7.9 million Common Shares for cancellation. The 2024 NCIB will terminate on the earlier of July 7, 2025 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2024 NCIB are purchased. Purchases of Common Shares under the 2024 NCIB will be made through the facilities of the Toronto Stock Exchange or alternative Canadian trading systems at the market price at the time of purchase. The Company has not made any purchases of Common Shares under the 2024 NCIB to date.

Paramount previously implemented a normal course issuer bid in July 2023 (the "2023 NCIB"). No shares were purchased under the 2023 NCIB, which expired on July 5, 2024.

For the six months ended June 30, 2024, Paramount issued 2.3 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 June 30		Six months ended June 30	
	2024	2023	2024	2023
Net income – basic and diluted	84.5	74.2	152.7	271.1
Basic – weighted average Common Shares (millions)	146.1	143.0	145.3	142.6
Dilutive effect of Paramount Options (millions)	3.4	5.4	3.8	5.5
Diluted – weighted average Common Shares (millions)	149.5	148.4	149.1	148.1
Net income per Common Share – basic ($/share)	0.58	0.52	1.05	1.90
Net income per Common Share – diluted ($/share)	0.57	0.50	1.02	1.83

Paramount Options are potentially dilutive and are included in the diluted per share calculation when they are dilutive to net income per share. For the three and six months ended June 30, 2024, 1.2 million and 4.0 million Paramount Options, respectively, were anti-dilutive (three and six months ended June 30, 2023 – 2.6 million).

8. Reserves

Six months ended June 30, 2024	Unrealized gains (losses) on cash flow hedges	Unrealized gains (losses) on securities	Contributed surplus	Total reserves
Balance, beginning of period	0.8	384.4	179.6	564.8
Other comprehensive income (loss), before tax	(2.9)	117.7	–	114.8
Deferred tax	0.7	(13.1)	–	(12.4)
Reclassification of accumulated gain on securities, net of tax (see Note 4)	–	(57.7)	–	(57.7)
Share-based compensation (see Note 9)	–	–	11.1	11.1
Paramount Options exercised	–	–	(6.0)	(6.0)
Balance, end of period	**(1.4)**	**431.3**	**184.7**	**614.6**

9. Share-Based Compensation

Paramount Options

	Six months ended June 30, 2024		Twelve months ended December 31, 2023	
	Paramount Options (millions)	Weighted average exercise price ($/share)	*Paramount Options (millions)*	Weighted average exercise price ($/share)
Balance, beginning of period	*11.8*	17.11	*11.3*	13.55
Granted	*0.1*	30.44	*2.6*	27.09
Exercised [(1)]	*(2.3)*	8.13	*(1.8)*	9.14
Cancelled or forfeited	*(0.1)*	24.05	*(0.3)*	16.04
Expired	*(0.1)*	32.00	–	–
Balance, end of period	*9.4*	19.31	*11.8*	17.11
Options exercisable, end of period	*1.6*	14.11	*4.0*	10.72

(1) For Paramount Options exercised during the six months ended June 30, 2024, the weighted average market price of Common Shares on the dates exercised was $28.96 per share (twelve months ended December 31, 2023 – $31.18 per share).

RSU Plan – Shares Held in Trust

	Six months ended June 30, 2024		Twelve months ended December 31, 2023	
	Shares (millions)		*Shares (millions)*	
Balance, beginning of period	*0.4*	3.4	*0.8*	16.2
Net change in vested and unvested shares	*(0.2)*	2.8	*(0.4)*	(12.8)
Balance, end of period	*0.2*	6.2	*0.4*	3.4

10. Income Tax

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

	Three months ended June 30		Six months ended June 30	
	2024	**2023**	**2024**	**2023**
Income before tax	**106.4**	96.5	**198.7**	353.2
Effective statutory income tax rate	**23.0%**	23.0%	**23.0%**	23.0%
Expected income tax expense	**24.5**	22.2	**45.7**	81.2
Effect of:				
Share-based compensation	**–**	0.8	**0.6**	1.4
Non-deductible items and other	**(2.6)**	(0.7)	**(0.3)**	(0.5)
Income tax expense	**21.9**	22.3	**46.0**	82.1

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

11. Financial Instruments and Risk Management

Financial Instruments

Financial instruments at June 30, 2024 consist of cash and cash equivalents, accounts receivable, risk management assets and liabilities, investments in securities and accounts payable. 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.

Changes in the fair value of risk management assets and liabilities for the six months ended June 30, 2024 are as follows:

Six months ended June 30, 2024	Financial commodity contracts	Foreign currency exchange contracts	Electricity swaps	Total
Fair value of asset, December 31, 2023	–	8.4	1.0	9.4
Changes in fair value – profit or loss (1)	39.3	(14.6)	–	24.7
Changes in fair value – OCI	–	–	(2.7)	(2.7)
Risk management contract settlements (received) paid (2)	(38.6)	2.8	(0.2)	(36.0)
Fair value of asset (liability), June 30, 2024	0.7	(3.4)	(1.9)	(4.6)
Risk management asset – current	1.3	–	–	1.3
Risk management asset, June 30, 2024	1.3	–	–	1.3
Risk management liability – current	–	(3.4)	(1.1)	(4.5)
Risk management liability – long-term	(0.6)	–	(0.8)	(1.4)
Risk management liability, June 30, 2024	(0.6)	(3.4)	(1.9)	(5.9)

(1) Changes in fair value of $24.7 million related to financial commodity and foreign currency exchange contracts are recorded as gain on risk management contracts.
(2) Net receipts on risk management contract settlements related to financial commodity and foreign currency exchange contracts totaled $35.8 million. Risk management contract settlements relating to electricity swaps are recorded in operating expense.

In April 2024, the Company entered into the following financial commodity contracts:

Instruments	Aggregate notional	Average price	Term
Oil – NYMEX WTI Swaps (Sale) (1)	14,250 Bbl/d	$111.67/Bbl	April 2024 – December 2024

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

In June 2024, Paramount terminated and closed out the outstanding portion of its 14,250 Bbl/d in NYMEX WTI swaps ($111.67/Bbl, June 2024 to December 2024) for aggregate cash proceeds of $37.9 million.

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

The Company had the following risk management contracts as at June 30, 2024:

Instruments	Aggregate notional	Average price or rate	Remaining term
Financial Commodity Contracts			
Oil – MSW WTI Differential Swap (Sale) (1)	5,000 Bbl/d	WTI – US$2.56/Bbl	July 2024 – December 2024
Natural Gas – Malin / Citygate Basis Swap (Sale) (2)	10,000 MMBtu/d	Citygate – US$1.03/MMBtu	July 2024 – October 2027
Foreign Currency Exchange Contracts			
Swaps (Sale)	US$30 million/month	$1.3462/US$1.00	July 2024 – December 2024
Electricity Contracts (3)			
Swaps (Buy)	240 MWh/d	$66.13/MWh	July 2024 – December 2024
Swaps (Buy)	240 MWh/d	$71.13/MWh	January 2025 – December 2025

(1) "MSW" refers to Mix Sweet Blend crude oil at Edmonton and "WTI" means West Texas Intermediate.
(2) "Malin" refers to Pacific Gas & Electric at Malin and "Citygate" refers to Pacific Gas & Electric Citygate.
(3) Reference electricity rate: Floating hourly rate established by the Alberta Electric System Operator ("AESO"). "MWh" means megawatt-hour.

The Company has classified its electricity swaps as cash flow hedges and applied hedge accounting. There were no changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified at June 30, 2024.

Subsequent to June 30, 2024, Paramount terminated and closed out the outstanding portion of its 5,000 Bbl/d in MSW WTI differential swaps (WTI – US$2.56/Bbl, August 2024 to December 2024) for aggregate cash proceeds of $2.0 million.

In July 2024, Paramount entered into the following financial commodity and electricity contracts:

Instruments	Aggregate notional	Average price or rate	Term
Financial Commodity Contracts			
Oil – NYMEX WTI Swap (Sale) (1)	5,000 Bbl/d	$105.00/Bbl	July 2024 – December 2025
Electricity Contracts (2)			
Swaps (Buy)	120 MWh/d	$58.79/MWh	January 2025 – December 2029
Swaps (Buy)	120 MWh/d	$58.19/MWh	January 2026 – December 2028
Swaps (Buy)	120 MWh/d	$61.73/MWh	January 2026 – December 2030

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

The electricity contracts entered into in July 2024 were designated as cash flow hedges, to manage exposure to variable market prices by fixing the underlying AESO Pool Price on a portion of the Company's anticipated power requirements between 2025 and 2030.

Any embedded derivatives are separated from the host contract and accounted for as a derivative when a separate item with the same terms would meet the definition of a derivative, the economic characteristics and risks of the embedded derivative are not closely related to the host contract, and the combined instrument is not measured at fair value with changes recognized in net earnings.

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

12. Revenue By Product

	Three months ended June 30		Six months ended June 30	
	2024	**2023**	**2024**	**2023**
Natural gas	**45.6**	64.1	**128.0**	186.1
Condensate and oil	**367.7**	294.1	**712.6**	637.6
Other natural gas liquids	**20.8**	15.9	**44.8**	39.3
Royalty income and other revenue	**9.5**	0.3	**10.6**	1.2
Royalties	**(66.1)**	(41.2)	**(128.0)**	(110.3)
Sales of commodities purchased	**84.4**	47.7	**139.1**	162.8
	461.9	380.9	**907.1**	916.7

Royalty income and other revenue for the three and six months ended June 30, 2024 includes $10.0 million related to an interim payment from insurers for 2023 Alberta wildfire losses. The Company continues to advance its insurance claims process for these losses.

13. Other

	Three months ended June 30		Six months ended June 30	
	2024	**2023**	**2024**	**2023**
Provisions	**–**	–	**(0.5)**	2.5
Dividend income	**(7.9)**	–	**(8.3)**	(0.4)
Other	**(1.4)**	(0.5)	**(1.0)**	(2.5)
	(9.3)	(0.5)	**(9.8)**	(0.4)

Dividend Income

For the three and six months ended June 30, 2024, Paramount received total cash dividends of $7.9 million and $8.3 million, respectively, (June 30, 2023 – $nil and $0.4 million, respectively) on its investments in securities, including $7.8 million from Sultran Ltd. in the three months ended June 30, 2024.

14. Consolidated Statement of Cash Flows – Selected Information

Items Not Involving Cash

	Three months ended June 30		Six months ended June 30	
	2024	**2023**	**2024**	**2023**
Risk management contracts	**0.4**	(16.4)	**11.1**	(8.3)
Share-based compensation	**5.8**	4.3	**13.3**	11.3
Depletion and depreciation	**140.3**	81.5	**255.1**	183.1
Exploration and evaluation	**0.1**	0.1	**0.1**	0.4
Gain on sale of oil and gas assets	**(0.3)**	(1.2)	**(15.9)**	(122.3)
Accretion of asset retirement obligations	**10.7**	10.9	**21.2**	21.6
Deferred income tax	**21.9**	22.3	**46.0**	82.1
Other	**–**	0.9	**1.2**	0.8
	178.9	102.4	**332.1**	168.7

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

Supplemental Cash Flow Information

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Interest paid	0.4	0.1	0.9	0.3
Interest received	1.1	0.8	1.6	2.4

Components of Cash and Cash Equivalents

As at	June 30, 2024	December 31, 2023
Cash	37.9	48.9
Cash equivalents	–	–
	37.9	48.9

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.

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

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

As at	June 30, 2024	December 31, 2023
Cash and cash equivalents	(37.9)	(48.9)
Accounts receivable (1)	(165.8)	(155.0)
Prepaid expenses and other	(22.9)	(9.0)
Accounts payable and accrued liabilities	255.9	272.5
Long-term debt	–	–
Net (cash) debt	**29.3**	59.6

(1) Excludes accounts receivable relating to lease incentives (June 30, 2024 – $0.8 million, December 31, 2023 – $0.8 million).

Adjusted Funds Flow

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

The calculation of adjusted funds flow is as follows:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Cash from operating activities	220.5	172.2	421.9	443.4
Change in non-cash working capital	40.6	(1.5)	44.1	(31.4)
Geological and geophysical expense	2.8	2.1	7.5	4.6
Asset retirement obligations settled	2.3	5.9	18.8	27.8
Closure costs	–	–	–	–
Provisions	–	–	(0.5)	2.5
Settlements	–	–	–	–
Transaction and reorganization costs	–	–	–	–
Adjusted funds flow	**266.2**	178.7	**491.8**	446.9

Net Debt to Adjusted Funds Flow Ratio

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

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

As at	June 30, 2024	December 31, 2023
Net (cash) debt	29.3	59.6
Adjusted funds flow, trailing four quarters	1,010.1	965.3
Net debt to adjusted funds flow ratio	**0.0x**	0.1x

Free Cash Flow

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

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

The calculation of free cash flow is as follows:

	Three months ended June 30		Six months ended June 30	
	2024	**2023**	**2024**	**2023**
Cash from operating activities	**220.5**	172.2	**421.9**	443.4
Change in non-cash working capital	**40.6**	(1.5)	**44.1**	(31.4)
Geological and geophysical expense	**2.8**	2.1	**7.5**	4.6
Asset retirement obligations settled	**2.3**	5.9	**18.8**	27.8
Closure costs	**–**	–	**–**	–
Provisions	**–**	–	**(0.5)**	2.5
Settlements	**–**	–	**–**	–
Transaction and reorganization costs	**–**	–	**–**	–
Adjusted funds flow	**266.2**	178.7	**491.8**	446.9
Capital expenditures	**(240.8)**	(140.2)	**(454.7)**	(324.3)
Geological and geophysical expense	**(2.8)**	(2.1)	**(7.5)**	(4.6)
Asset retirement obligations settled	**(2.3)**	(5.9)	**(18.8)**	(27.8)
Free cash flow	**20.3**	30.5	**10.8**	90.2

16. Commitments and Contingencies

Commitments – Physical Sales Contracts

The Company had the following basis differential physical sales contracts at June 30, 2024:

	Volume	Location	Average price	Remaining term
Natural gas	40,000 MMBtu/d	AECO	NYMEX – US$0.93/MMBtu (1)	July 2024 – October 2024

(1) "NYMEX" refers to NYMEX pricing at Henry Hub.

In 2024, Paramount entered into an agreement to deliver between 250 Bbl/d and 1,000 Bbl/d of propane over five years at a delivery point in Alberta beginning February 2024. The price received is based on the Argus Propane Monthly Far East Index less deductions for transportation, fuel and other charges.

Contingencies

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

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

CORPORATE INFORMATION

EXECUTIVE OFFICERS

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

P. R. Kinvig
Chief Financial Officer

B. K. Lee
Executive Vice President, Finance

D. B. Reid
Executive Vice President, Operations

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

J. B. Williams
Executive Vice President, Kaybob Region

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

DIRECTORS

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

J. G. M. Bell (1) (3) (4)
Executive Vice President, Corporate and Chief Legal Officer
Dominion Lending Centres Inc.
Calgary, Alberta

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

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

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

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

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

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

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

CORPORATE OFFICE

4700 Bankers Hall West
888 Third Street S.W.
Calgary, Alberta
Canada T2P 5C5
Telephone: (403) 290-3600
Facsimile: (403) 262-7994
www.paramountres.com

REGISTRAR AND TRANSFER AGENT

Odyssey Trust Company
Calgary, Alberta
Toronto, Ontario

RESERVES EVALUATORS

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

AUDITORS

Ernst & Young LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange ("POU")