



Second Quarter 2025 Results

Paramount Resources Announces Second Quarter 2025 Results, Early Alhambra Plant Start-Up and Increased Production Guidance

Calgary, Alberta – July 30, 2025

Paramount Resources Ltd. ("Paramount" or the "Company") (TSX:POU) is pleased to announce its second quarter 2025 financial and operating results, the ahead of schedule start-up of its new Alhambra Plant in Willesden Green and an increase in midpoint sales volumes guidance for 2025.

HIGHLIGHTS

- Second quarter sales volumes averaged 31,631 Boe/d (46% liquids). ⁽¹⁾
 - Sales volumes from the Central Alberta Region, which includes Willesden Green, averaged 9,223 Boe/d (60% liquids).
 - Kaybob Region sales volumes averaged 21,962 Boe/d (39% liquids).
 - Duvernay production accounted for 56 percent of total sales volumes and Duvernay condensate production accounted for 77 percent of total oil and condensate sales volumes.
- Cash from operating activities was \$40 million (\$0.28 per basic share) in the second quarter. Adjusted funds flow was \$82 million (\$0.57 per basic share). Free cash flow was (\$86) million ((\$0.60) per basic share). ⁽²⁾
- Second quarter capital expenditures totaled \$158 million. Activities in the quarter included:
 - Willesden Green Duvernay – ten (10.0 net) wells drilled, five (5.0 net) wells completed and brought on production and the continuing construction of the first and second phases of the Company's wholly-owned and operated Alhambra Plant; and
 - Kaybob North Duvernay – three (3.0 net) wells drilled.
- Construction of the first phase of the Alhambra Plant was substantially completed in July, ahead of schedule, and first sales volumes were achieved in late-July. Volumes are expected to ramp-up in stages as construction of third-party liquids egress is completed in August and an additional 11 new Duvernay wells are completed and brought onstream through the end of the third quarter and into the fourth quarter.

(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.

- Paramount continues to have 10,000 Bbl/d of liquids hedged at a WTI price of C\$105.00/Bbl for the remainder of 2025.
- Approximately 70 percent of Paramount's expected natural gas sales volumes for the remainder of 2025 are priced at diversified markets outside of AECO.
- Asset retirement obligations settled in the second quarter totaled \$3 million.
- The carrying value of the Company's investments in securities at June 30, 2025 was \$575 million, including \$474 million of investments in publicly traded securities. Paramount received cash dividends of \$3 million in the second quarter from one of its private company investments.
- At June 30, 2025, Paramount had net cash of \$501 million and its \$500 million revolving credit facility remained undrawn. ⁽¹⁾

GUIDANCE

Paramount is revising its 2025 sales volumes guidance as a result of the early start-up of the Alhambra Plant at Willesden Green. Annual sales volumes are now expected to range between 38,500 Boe/d and 42,500 Boe/d (47% liquids). The Company continues to anticipate a year-end 2025 exit rate in excess of 45,000 Boe/d (52% liquids). Capital expenditure guidance for 2025 remains unchanged at between \$780 million and \$840 million.

2025	Prior Guidance	Revised Guidance
Third quarter average sales volumes (Boe/d)	28,000 to 32,000 (46% liquids)	30,000 to 32,000 (45% liquids)
Fourth quarter average sales volumes (Boe/d)	40,000 to 45,000 (52% liquids)	42,000 to 45,000 (52% liquids)
Annual average sales volumes (Boe/d)	37,500 to 42,500 (48% liquids)	38,500 to 42,500 (47% liquids)
Capital expenditures	\$780 to \$840 million	No change

Paramount expects to incur abandonment and reclamation expenditures of approximately \$18 million over the second half of 2025.

AUGUST DIVIDEND

Paramount's Board of Directors has declared a cash dividend of \$0.05 per class A common share that will be payable on August 29, 2025 to shareholders of record on August 15, 2025. The dividend will be designated as an "eligible dividend" for Canadian income tax purposes.

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

REVIEW OF OPERATIONS

CENTRAL ALBERTA REGION

Second quarter 2025 sales volumes in the Central Alberta Region averaged 9,223 Boe/d (60% liquids) compared to 7,929 Boe/d (56% liquids) in the first quarter. Duvernay production accounted for 93 percent of second quarter sales volumes in the region.

Development activities at Willesden Green in the second quarter included the continuing construction of the new Alhambra Plant and the drilling of ten (10.0 net) Duvernay wells, including one well that was drilled to 9,060 meters, setting a new record for the longest Canadian onshore well.

The Company has now drilled all 16 (16.0 net) wells that will flow to the Alhambra Plant in 2025. The first five (5.0 net) of these wells were completed and flowed back over an extended period through temporary facilities beginning in the latter part of the second quarter. These wells are now tied-in to the Alhambra Plant. Completion and equipping operations are in progress for the remaining 11 (11.0 net) wells.

Construction of the first phase of the Company's wholly-owned and operated Alhambra Plant was substantially completed in July, ahead of schedule. This first phase provides the Company incremental raw handling capacity of 10,000 Bbl/d of liquids and 50 MMcf/d of natural gas.

First sales volumes from the new plant were achieved in late-July. Volumes are expected to ramp-up in stages as operational stability of the Alhambra Plant is achieved, the construction of third-party liquids egress is completed in August and the remaining 11 (11.0 net) new Duvernay wells are brought onstream through the end of the third quarter and into the fourth quarter. The Company expects average sales volumes through the Alhambra Plant to increase significantly in the fourth quarter.

Prior to the end of the year, Paramount plans to drill and bring onstream three (3.0 net) Duvernay wells that will flow to its Leafland Plant and drill a further 11 (11.0 net) Duvernay wells that will be tied into the Alhambra Plant in 2026.

The Company continues to advance the second phase expansion of the Alhambra Plant, which will double raw handling capacity to 20,000 Bbl/d of liquids and 100 MMcf/d of natural gas. Start-up of the second phase continues to be expected in the fourth quarter of 2026.

KAYBOB REGION

Kaybob Region sales volumes averaged 21,962 Boe/d (39% liquids) in the second quarter of 2025 compared to 21,371 Boe/d (36% liquids) in the first quarter. Duvernay production accounted for 42 percent of second quarter sales volumes in the Kaybob Region.

Development activities in the second quarter included the drilling of the final three wells of a five (5.0 net) well Duvernay pad at Kaybob North. Completion activities that were initiated in the second quarter are ongoing and the Company plans to equip, tie-in and bring the five new wells onstream in the third quarter.

Over the remainder of 2025, Paramount also plans to commence the drilling of a three (3.0 net) well Duvernay pad at Kaybob North.

SINCLAIR UPDATE

Following successful short-term flow tests of the Company's first two (2.0 net) Montney appraisal wells in the first quarter of 2025, Paramount anticipates flowing these wells into regional infrastructure for a portion of the third and fourth quarters of 2025. The additional data obtained is expected to further inform the Company's detailed engineering and design work for a potential new dry gas processing plant capable of handling up to 400 MMcf/d of raw gas production (the "Sinclair Plant") and related infrastructure. Incremental sales volumes from the test are not expected to be significant.

Paramount advanced its ongoing work related to the Sinclair Plant in the second quarter. As previously disclosed, the Company has secured downstream transportation capacity that would enable the first phase of Sinclair production to commence as early as the fourth quarter of 2027.

Over the remainder of 2025, Paramount plans to drill an additional two (2.0 net) Montney appraisal wells, which the Company plans to complete and flow test in 2026.

HEDGING

The Company's current financial commodity contracts are summarized below:

	Q3 2025	Q4 2025	Average Price ⁽¹⁾
Oil			
NYMEX WTI Swaps (Sale) (Bbl/d)	10,000	10,000	C\$105.00/Bbl
Natural gas			
Citygate / Malin Basis Swap (MMBtu/d) ⁽²⁾	10,000	10,000	Citygate less US\$0.97/MMBtu (Sell) Malin (Buy)

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

(2) "Citygate" refers to Pacific Gas & Electric Citygate and "Malin" refers to Pacific Gas & Electric Malin. Pursuant to the swap transaction, Paramount sells at Citygate less US\$0.97/MMBtu and buys at Malin. The transaction is financially settled with no physical delivery. The remaining term of this contract is July 2025 to October 2028.

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 2025 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 2025		Q1 2025		Q2 2024	
Net income	4.2		1,288.8		84.5	
per share – basic (\$/share)	0.03		8.90		0.58	
per share – diluted (\$/share)	0.03		8.74		0.57	
Cash from operating activities	39.8		149.9		220.5	
per share – basic (\$/share)	0.28		1.03		1.51	
per share – diluted (\$/share)	0.27		1.02		1.47	
Adjusted funds flow	81.5		149.1		266.2	
per share – basic (\$/share)	0.57		1.03		1.82	
per share – diluted (\$/share)	0.56		1.01		1.78	
Free cash flow	(85.5)		(90.6)		20.3	
per share – basic (\$/share)	(0.60)		(0.63)		0.14	
per share – diluted (\$/share)	(0.60)		(0.63)		0.14	
Total assets	3,517.9		3,616.4		4,589.2	
Investments in securities	575.3		522.8		579.5	
Long-term debt	–		–		–	
Net (cash) debt	(500.9)		(637.9)		29.3	
Common shares outstanding (millions) ⁽²⁾	143.3		143.2		146.7	
Sales volumes ⁽³⁾						
Natural gas (MMcf/d)	103.3		179.6		296.8	
Condensate and oil (Bbl/d)	11,636		20,542		39,206	
Other NGLs (Bbl/d)	2,786		3,934		6,928	
Total (Boe/d)	31,631		54,409		95,609	
% liquids	46%		45%		48%	
Central Alberta Region and Other (Boe/d)	9,669		8,334		8,226	
Kaybob Region (Boe/d)	21,962		21,371		23,946	
Sold Assets (Boe/d) ⁽⁴⁾	–		24,704		63,437	
Total (Boe/d)	31,631		54,409		95,609	
Netback		(\$/Boe) ⁽⁵⁾		(\$/Boe) ⁽⁵⁾		(\$/Boe) ⁽⁵⁾
Natural gas revenue	28.9	3.07	52.6	3.25	45.6	1.69
Condensate and oil revenue	87.7	82.84	180.6	97.70	367.7	103.07
Other NGLs revenue	6.9	27.02	14.3	40.47	20.8	33.07
Natural gas transportation assignment income ⁽⁶⁾	2.7	0.29	7.4	0.46	–	–
Royalty income and other revenue ⁽⁶⁾	1.0	–	11.7	–	9.5	–
Petroleum and natural gas sales	127.2	44.20	266.6	54.43	443.6	50.99
Royalties	(5.7)	(2.00)	(26.7)	(5.44)	(66.1)	(7.60)
Operating expense	(35.7)	(12.39)	(67.8)	(13.85)	(115.7)	(13.29)
Transportation and NGLs processing	(13.2)	(4.57)	(20.4)	(4.17)	(31.3)	(3.60)
Sales of commodities purchased ⁽⁷⁾	43.7	15.18	109.7	22.40	84.4	9.70
Commodities purchased ⁽⁷⁾	(43.4)	(15.07)	(107.2)	(21.88)	(82.4)	(9.47)
Netback	72.9	25.35	154.2	31.49	232.5	26.73
Risk management contract settlements	14.9	5.16	1.6	0.32	36.4	4.18
Netback including risk management contract settlements	87.8	30.51	155.8	31.81	268.9	30.91
Capital expenditures						
Central Alberta Region and Other	114.8		138.3		46.0	
Kaybob Region	40.2		51.0		40.9	
Fox Drilling	1.6		3.1		0.7	
Corporate ⁽⁸⁾	5.4		2.9		(1.5)	
Sold Assets ⁽⁴⁾	(4.4)		20.4		154.7	
Total	157.6		215.7		240.8	
Asset retirement obligations settled	3.0		22.2		2.3	

(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 (millions): Q2 2025: 0.3, Q1 2025: 0.3, Q2 2024: 0.2.

(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) "Sold Assets" refers to the Karr, Wapiti and Zama properties that were sold on January 31, 2025.

(5) Natural gas revenue and natural gas transportation assignment income presented as \$/Mcf.

(6) Natural gas transportation assignment income for the three months ended June 30, 2025 and March 31, 2025 relates to proceeds realized by the Company on the assignment of a portion of its ex-Alberta natural gas transportation capacity to third parties. Royalty income and other revenue for the three months ended March 31, 2025 includes \$11.1 million related to a second interim payment from insurers for 2023 Alberta wildfire losses (three months ended June 30, 2024 includes \$10.0 million related to the first interim payment from insurers for wildfire losses). The Company has realized \$21.1 million in aggregate interim payments in respect of its 2023 Alberta wildfire losses to date and continues to advance its insurance claims process. These amounts were not allocated to individual regions or properties.

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

(8) Includes transfers of amounts held in Corporate to and from 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			Central Alberta Region and Other			Kaybob Region		
	Q2 2025	Q1 2025	Q2 2024	Q2 2025	Q1 2025	Q2 2024	Q2 2025	Q1 2025	Q2 2024
Shale gas (MMcf/d)	58.9	134.2	243.1	19.4	17.6	20.3	39.5	39.7	35.8
Conventional natural gas (MMcf/d)	44.4	45.4	53.7	3.2	3.6	4.8	41.2	41.8	48.8
Natural gas (MMcf/d)	103.3	179.6	296.8	22.6	21.2	25.1	80.7	81.5	84.6
Condensate (Bbl/d)	9,688	18,817	36,825	3,760	2,992	2,273	5,928	5,500	6,617
Other NGLs (Bbl/d)	2,786	3,934	6,928	1,523	1,186	1,156	1,263	1,292	1,599
NGLs (Bbl/d)	12,474	22,751	43,753	5,283	4,178	3,429	7,191	6,792	8,216
Light and medium crude oil (Bbl/d)	1,263	971	1,566	22	28	22	1,241	943	1,544
Tight oil (Bbl/d)	285	396	466	211	234	239	74	57	80
Heavy crude oil (Bbl/d)	400	358	349	400	358	349	–	–	–
Crude oil (Bbl/d)	1,948	1,725	2,381	633	620	610	1,315	1,000	1,624
Total (Boe/d)	31,631	54,409	95,609	9,669	8,334	8,226	21,962	21,371	23,946

	Sold Assets		
	Q2 2025	Q1 2025	Q2 2024
Shale gas (MMcf/d)	–	76.9	187.0
Conventional natural gas (MMcf/d)	–	–	0.1
Natural gas (MMcf/d)	–	76.9	187.1
Condensate (Bbl/d)	–	10,325	27,935
Other NGLs (Bbl/d)	–	1,456	4,173
NGLs (Bbl/d)	–	11,781	32,108
Tight oil (Bbl/d)	–	105	147
Crude oil (Bbl/d)	–	105	147
Total (Boe/d)	–	24,704	63,437

2025 average sales volumes are expected to be between 38,500 Boe/d and 42,500 Boe/d (53% shale gas and conventional natural gas combined, 39% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 8% other NGLs).

Third quarter sales volumes are expected to average between 30,000 Boe/d and 32,000 Boe/d (55% shale gas and conventional natural gas combined, 37% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 8% Other NGLs).

Fourth quarter 2025 average sales volumes are expected to be between 42,000 Boe/d and 45,000 Boe/d (48% shale gas and conventional natural gas combined, 43% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 9% Other NGLs).

2025 year-end sales volumes exit rate is expected to be in excess of 45,000 Boe/d (48% shale gas and conventional natural gas combined, 43% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 9% 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, 2025, March 31, 2025 and June 30, 2024.

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, 2025 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, 2025 and 2024 and (iii) a calculation of net (cash) debt as at June 30, 2025 and December 31, 2024.

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:

- expected average sales volumes for 2025 and certain periods therein;
- the expected 2025 exit rate of production;
- planned capital expenditures in 2025;
- planned abandonment and reclamation expenditures for the second half of 2025; and
- planned and potential exploration, development and production activities, including: (i) the expectation that sales volumes through the Alhambra Plant will increase significantly in the fourth quarter and (ii) the expected timing of completion of phase two of the Alhambra Plant and the expected capacity thereof on completion.

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 potential scope and duration of tariffs, export taxes, export restrictions or other trade actions;
- 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, pipelines and other infrastructure;
- 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 design, construction, commissioning and start-up of new and expanded third-party and Company facilities, pipelines and other infrastructure, including the Alhambra Plant, 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 political and economic conditions, including risks associated with tariffs, export taxes, export restrictions or other trade actions;
- 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, cash flows, 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, commissioning, starting-up or operating new, expanded or existing facilities, including third-party facilities and the Alhambra Plant;
- 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;
- 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.

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

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, 2024, 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.

Oil and Gas Measures and Definitions

Liquids		Natural Gas	
Bbl	Barrels	GJ	Gigajoules
Bbl/d	Barrels per day	GJ/d	Gigajoules per day
MBbl	Thousands of barrels	MMBtu	Millions of British Thermal Units
NGLs	Natural gas liquids	MMBtu/d	Millions of British Thermal Units per day
Condensate	Pentane and heavier hydrocarbons	Mcf	Thousands of cubic feet
WTI	West Texas Intermediate	MMcf	Millions of cubic feet
Oil Equivalent		MMcf/d	Millions of cubic feet per day
Boe	Barrels of oil equivalent	NYMEX	New York Mercantile Exchange
MBoe	Thousands of barrels of oil equivalent	AECO	AECO-C reference price
MMBoe	Millions of barrels of oil equivalent		
Boe/d	Barrels of oil equivalent per day		

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, 2025, the value ratio between crude oil and natural gas was approximately 47:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value.

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, 2024 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, 2025

This Management's Discussion and Analysis ("MD&A"), dated July 29, 2025, 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, 2025 (the "Interim Financial Statements") and Paramount's audited consolidated financial statements as at and for the year ended December 31, 2024 (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 and all references to "US\$" are to United States dollars. The Company's accounting policies have been applied consistently to all periods presented. Certain comparative figures have been reclassified to conform to the current year's presentation.

ABOUT PARAMOUNT

Paramount is an independent, publicly traded, liquids-rich natural gas focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas. Paramount's principal properties are located in Alberta and British Columbia. Paramount commenced operations as a public company in 1978 and has adapted to a multitude of operating and economic climates over the 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, 2024 ("Annual Information Form"), can be found on the SEDAR+ website at www.sedarplus.ca.

Paramount's operations are organized into the Central Alberta Region, the Kaybob Region and other geographic areas, which have been grouped into "Other" for the purposes of this MD&A.

Development activities in the Central Alberta Region are currently focused on the Willesden Green Duvernay property located in central Alberta.

The Kaybob Region is located in west-central Alberta and includes the Kaybob North Duvernay development and other legacy natural gas and oil producing properties.

"Other" includes: (i) the Sinclair Montney shale gas property located west of Grande Prairie, Alberta, (ii) shale gas properties in the Horn River Basin and the Liard Basin in northeast British Columbia and (iii) lands located in Alberta prospective for cold flow heavy oil and in-situ thermal oil recovery.

Prior to their sale on January 31, 2025, the Company's Karr and Wapiti properties near Grande Prairie, Alberta were the focus of its former Grande Prairie Region development activities and operations. For presentation purposes, the remaining assets from the former Grande Prairie Region have been included in "Other" effective January 1, 2025. See the "Grande Prairie Disposition and Special Distribution" section of this MD&A.

For purposes of presentation in this MD&A, the results of operations and capital expenditures of properties included in Other have been combined with the Central Alberta Region and are labeled "Central Alberta and Other".

The Company's assets also include: (i) investments in other publicly traded and private entities; (ii) six triple-sized drilling rigs owned by the Company's wholly-owned Fox Drilling Limited Partnership ("Fox Drilling"); and (iii) 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.

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 MD&A 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	
	2025	2024	2025	2024
FINANCIAL				
Petroleum and natural gas sales	127.2	443.6	393.8	896.0
Net income	4.2	84.5	1,292.9	152.7
Per share – basic (\$/share)	0.03	0.58	8.98	1.05
Per share – diluted (\$/share)	0.03	0.57	8.82	1.02
Cash from operating activities	39.8	220.5	189.7	421.9
Per share – basic (\$/share) ⁽¹⁾	0.28	1.51	1.32	2.90
Per share – diluted (\$/share) ⁽¹⁾	0.27	1.47	1.29	2.83
Adjusted funds flow ⁽¹⁾	81.5	266.2	230.4	491.8
Per share – basic (\$/share)	0.57	1.82	1.60	3.38
Per share – diluted (\$/share)	0.56	1.78	1.57	3.30
Free cash flow ⁽¹⁾	(85.5)	20.3	(176.3)	10.8
Per share – basic (\$/share)	(0.60)	0.14	(1.22)	0.07
Per share – diluted (\$/share)	(0.60)	0.14	(1.22)	0.07
Total assets			3,517.9	4,589.2
Investments in securities			575.3	579.5
Long-term debt			–	–
Net (cash) debt ⁽¹⁾			(500.9)	29.3
Total liabilities			839.4	924.2
Common shares outstanding (millions) ⁽²⁾			143.3	146.7
Dividends and distributions declared and paid (\$/share)	0.15	0.425	15.40	0.80
OPERATING				
Sales volumes				
Natural gas (MMcf/d)	103.3	296.8	141.2	307.8
Condensate and oil (Bbl/d)	11,636	39,206	16,064	40,057
Other NGLs (Bbl/d)	2,786	6,928	3,357	6,941
Total (Boe/d)	31,631	95,609	42,957	98,293
% Liquids	46%	48%	45%	48%
Realized prices ⁽¹⁾				
Natural gas (\$/Mcf)	3.07	1.69	3.19	2.29
Condensate and oil (\$/Bbl)	82.84	103.07	92.29	97.74
Other NGLs (\$/Bbl)	27.02	33.07	34.86	35.44
Petroleum and natural gas sales (\$/Boe)	44.20	50.99	50.64	50.09
Capital expenditures	157.6	240.8	373.3	454.7

(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 ("RSU") plan (Common Shares): 2025: 0.3 million and 2024: 0.2 million.

GRANDE PRAIRIE DISPOSITION AND SPECIAL DISTRIBUTION

The Company closed the sale of its Karr, Wapiti and Zama properties (the "Sold Assets") on January 31, 2025 (the "Grande Prairie Disposition"). Pursuant to the purchase and sale agreement for the Grande Prairie Disposition, consideration for the Sold Assets was \$3.325 billion cash, subject to adjustments based on an effective date of October 1, 2024, plus certain Horn River Basin properties of the acquiror (the "Purchase Price"). Paramount's calculation of final adjustments was completed in the second quarter of 2025, resulting in a Purchase Price of \$3.244 billion and a gain on sale of oil and gas assets of \$1.594 billion being recorded in respect of the Grande Prairie Disposition for the six months ended June 30, 2025.

The Company used a portion of the proceeds from the Grande Prairie Disposition to pay a special cash distribution of \$15.00 per Common Share (totaling \$2,148 million) in the first quarter of 2025 (the "Special Distribution"), comprised of a \$12.00 return of capital (totaling \$1,718 million) and a \$3.00 special dividend (totaling \$430 million).

Concurrently with the completion of the Grande Prairie Disposition, the capacity of the Company's financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility") was amended to \$500 million and the maturity date was extended to January 31, 2029. Additional information concerning the Paramount Facility is included in the "Liquidity and Capital Resources" section of this MD&A and in the Annual Financial Statements.

Paramount's results for the six months ended June 30, 2025 include the results of operations of the Sold Assets from January 1, 2025 to the closing date of the Grande Prairie Disposition on January 31, 2025. Second quarter 2025 results include minor actual to estimate differences for operations of the Sold Assets for periods prior to their sale on January 31, 2025, which have been set out in the table below. The Sold Assets comprised essentially all of Paramount's production in its former Grande Prairie Region. When used in this MD&A, "Ongoing Operations" represents Paramount's total results less amounts attributed to the Sold Assets. The following tables provide selected operating results of the Company:

Three months ended June 30											
2025						2024					
Ongoing Operations		Sold Assets ⁽¹⁾		Total Company		Ongoing Operations		Sold Assets		Total Company	
Sales Volumes (Boe/d) ⁽²⁾											
31,631		–		31,631		32,172		63,437		95,609	
46%		–		46%		43%		51%		48%	
\$/Boe		\$/Boe		\$/Boe		\$/Boe		\$/Boe		\$/Boe	
Petroleum and natural gas sales ⁽³⁾	127.5 44.30	(0.3)	–	127.2 44.20		137.4 46.96		306.2 53.04		443.6 50.99	
Royalties ⁽³⁾	(7.9) (2.75)	2.2	–	(5.7) (2.00)		(9.2) (3.14)		(56.9) (9.86)		(66.1) (7.60)	
Operating expense ⁽³⁾	(33.9) (11.79)	(1.8)	–	(35.7) (12.39)		(32.8) (11.20)		(82.9) (14.36)		(115.7) (13.29)	
Transportation and NGLs processing ⁽³⁾	(13.3) (4.61)	0.1	–	(13.2) (4.57)		(9.4) (3.20)		(21.9) (3.80)		(31.3) (3.60)	
Sales of commodities purchased ⁽³⁾	43.7 15.18	–	–	43.7 15.18		84.4 28.82		–	–	84.4 9.70	
Commodities purchased ⁽³⁾	(43.4) (15.07)	–	–	(43.4) (15.07)		(82.4) (28.14)		–	–	(82.4) (9.47)	
Netback ⁽⁴⁾	72.7 25.26	0.2	–	72.9 25.35		88.0 30.10		144.5 25.02		232.5 26.73	
Capital expenditures	162.0	(4.4)		157.6		86.1		154.7		240.8	

(1) Amounts relate to actual to estimate differences for operations of the Sold Assets for periods prior to their sale on January 31, 2025.

(2) 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.

(3) Refer to the interim condensed consolidated statements of comprehensive income in the Interim Financial Statements.

(4) Netback is a non-GAAP financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

Six months ended June 30											
2025						2024					
Ongoing Operations		Sold Assets ⁽¹⁾		Total Company		Ongoing Operations		Sold Assets		Total Company	
Sales Volumes (Boe/d) ⁽²⁾											
30,673		12,284		42,957		33,005		65,288		98,293	
44%		48%		45%		43%		50%		48%	
\$/Boe		\$/Boe		\$/Boe		\$/Boe		\$/Boe		\$/Boe	
Petroleum and natural gas sales ⁽³⁾	275.2 49.56	118.6 53.34	393.8 50.64	273.2 45.49	622.8 52.41	896.0 50.09					
Royalties ⁽³⁾	(17.4) (3.14)	(15.0) (6.75)	(32.4) (4.17)	(20.2) (3.36)	(107.8) (9.07)	(128.0) (7.15)					
Operating expense ⁽³⁾	(71.0) (12.78)	(32.5) (14.63)	(103.5) (13.31)	(70.9) (11.81)	(163.6) (13.77)	(234.5) (13.11)					
Transportation and NGLs processing ⁽³⁾	(26.0) (4.68)	(7.6) (3.42)	(33.6) (4.32)	(18.7) (3.11)	(44.5) (3.75)	(63.2) (3.53)					
Sales of commodities purchased ⁽³⁾	153.4 27.62	– –	153.4 19.72	139.1 23.15	– –	139.1 7.77					
Commodities purchased ⁽³⁾	(150.5) (27.11)	– –	(150.5) (19.36)	(135.8) (22.60)	– –	(135.8) (7.59)					
Netback ⁽⁴⁾	163.7 29.47	63.5 28.54	227.2 29.20	166.7 27.76	306.9 25.82	473.6 26.48					
Capital expenditures	357.3	16.0	373.3	179.7	275.0	454.7					

(1) Amounts relate to results of operations of the Sold Assets from January 1, 2025 to January 30, 2025 and actual to estimate differences for operations of the Sold Assets for periods prior to their sale on January 31, 2025. Boe/d sales volumes calculated by dividing aggregate sales volumes from January 1, 2025 to January 30, 2025 by 181 days.

(2) 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.

(3) Refer to the interim condensed consolidated statements of comprehensive income in the Interim Financial Statements.

(4) Netback is a non-GAAP financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

Q2 2025 OVERVIEW

Total Company sales volumes averaged 31,631 Boe/d (46% liquids) in the second quarter of 2025 compared to 54,409 Boe/d (45% liquids) in the first quarter. Sales volumes from Ongoing Operations were 31,631 Boe/d (46% liquids) in the second quarter of 2025 compared to 29,705 Boe/d (42% liquids) in the first quarter. Duvernay production accounted for approximately 17,700 Boe/d (62% liquids) of second quarter of 2025 sales volumes compared to approximately 15,600 Boe/d (60% liquids) in the first quarter.

Net income was \$4.2 million (\$0.03 per basic share) in the second quarter of 2025 compared to \$1,288.8 million (\$8.90 per basic share) in the first quarter. The Company realized an after-tax gain of \$1.2 billion in the first quarter of 2025 on the Grande Prairie Disposition (\$1.6 billion before tax gain net of \$0.4 billion deferred tax expense).

Second quarter 2025 cash from operating activities was \$39.8 million (\$0.28 per basic share) compared to \$149.9 million (\$1.03 per basic share) in the first quarter. Adjusted funds flow was \$81.5 million (\$0.57 per basic share) in the second quarter of 2025 compared to \$149.1 million (\$1.03 per basic share) in the first quarter. Free cash flow was (\$85.5) million ((\$0.60) per basic share) in the second quarter of 2025 compared to (\$90.6) million ((\$0.63) per basic share) in the first quarter. ⁽¹⁾

Capital expenditures totaled \$157.6 million in the second quarter of 2025 compared to \$215.7 million in the first quarter. Second quarter activities included:

- Willesden Green Duvernay – ten (10.0 net) wells drilled and five (5.0 net) wells completed and brought on production; and
- Kaybob North Duvernay – three (3.0 net) wells drilled.

Construction of the Company's wholly-owned and operated Alhambra Plant at Willesden Green continued in the quarter. The first phase of the plant was substantially completed in July, ahead of schedule, and first sales volumes were achieved in late-July. Volumes are expected to ramp-up in stages as construction of third-party liquids egress is completed in August and an additional 11 new Duvernay wells are completed and brought onstream through the end of the third quarter and into the fourth quarter.

Asset retirement obligations settled in the second quarter of 2025 totaled \$3.0 million.

The carrying value of the Company's investments in securities at June 30, 2025 was \$575.3 million, including \$473.7 million of investments in publicly traded securities. Paramount received cash dividends of \$3.1 million in the second quarter from one of its private company investments

The Company paid total monthly dividends of \$0.15 per Common Share or \$20.7 million in the second quarter of 2025.

Net cash was \$500.9 million at June 30, 2025 compared to \$637.9 million at March 31, 2025. The Paramount Facility was undrawn at June 30, 2025. ⁽¹⁾

(1) Adjusted funds flow, free cash flow and net (cash) debt are capital management measures used by Paramount. The capital management measure of net (cash) debt has been expressed as net cash in this instance for simplicity. 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.

GUIDANCE

Paramount is revising its 2025 sales volumes guidance as a result of the early start-up of the Alhambra Plant at Willesden Green. Annual sales volumes are now expected to range between 38,500 Boe/d and 42,500 Boe/d (47% liquids). The Company continues to anticipate a year-end 2025 exit rate in excess of 45,000 Boe/d (52% liquids). Capital expenditure guidance for 2025 remains unchanged at between \$780 million and \$840 million.

2025	Prior Guidance	Revised Guidance
Third quarter average sales volumes (Boe/d)	28,000 to 32,000 (46% liquids)	30,000 to 32,000 (45% liquids)
Fourth quarter average sales volumes (Boe/d)	40,000 to 45,000 (52% liquids)	42,000 to 45,000 (52% liquids)
Annual average sales volumes (Boe/d)	37,500 to 42,500 (48% liquids)	38,500 to 42,500 (47% liquids)
Capital expenditures	\$780 to \$840 million	No change

Paramount expects to incur abandonment and reclamation expenditures of approximately \$18 million over the second half of 2025.

CONSOLIDATED RESULTS

Net Income

Paramount recorded net income of \$4.2 million for the three months ended June 30, 2025 compared to net income of \$84.5 million in the same period in 2024. Significant factors contributing to the change are shown below:

Three months ended June 30	
Net income – 2024	84.5
• Lower netback in 2025 mainly due to the Grande Prairie Disposition, lower liquids prices in 2025 and a first interim payment in 2024 of \$10.0 million from insurers for 2023 Alberta wildfire losses	(159.6)
• Loss on sale of oil and gas assets in 2025, mainly from finalization of adjustments to the Purchase Price, compared to a gain in 2024	(15.6)
• Lower dividend income in 2025	(4.8)
• Lower depletion and depreciation expense in 2025	78.6
• Lower deferred income tax expense in 2025	21.5
• Lower accretion of asset retirement obligations in 2025	4.7
• Higher interest income in 2025	4.4
• Other	(9.5)
Net income – 2025	4.2

Paramount recorded net income of \$1,292.9 million for the six months ended June 30, 2025 compared to net income of \$152.7 million in the same period in 2024. Significant factors contributing to the change are shown below:

Six months ended June 30	
Net income – 2024	152.7
• Higher gain on sale of oil and gas assets in 2025 due to the Grande Prairie Disposition	1,587.9
• Lower depletion and depreciation expense in 2025	140.3
• Higher gain on risk management contracts in 2025	18.0
• Higher interest income in 2025	11.4
• Lower accretion of asset retirement obligations in 2025	8.1
• Higher deferred income tax expense in 2025	(337.3)
• Lower netback in 2025 mainly due to the Grande Prairie Disposition	(246.4)
• Transaction and reorganization costs in 2025 primarily related to cash payments made to optionholders on the surrender of their Paramount Options	(24.3)
• Higher share-based compensation expense in 2025	(8.4)
• Other	(9.1)
Net income – 2025	1,292.9

Cash From Operating Activities

Cash from operating activities for the three months ended June 30, 2025 was \$39.8 million compared to \$220.5 million in the same period in 2024. Significant factors contributing to the change are shown below:

Three months ended June 30	
Cash from operating activities – 2024	220.5
• Lower netback in 2025 mainly due to the Grande Prairie Disposition, lower liquids prices in 2025 and a first interim payment in 2024 of \$10.0 million from insurers for 2023 Alberta wildfire losses	(159.6)
• Lower receipts on risk management contract settlements in 2025	(21.5)
• Lower dividend income in 2025	(4.8)
• Change in non-cash working capital	9.0
• Higher interest income in 2025	4.4
• Other	(8.2)
Cash from operating activities – 2025	39.8

Cash from operating activities for the six months ended June 30, 2025 was \$189.7 million compared to \$421.9 million for the same period in 2024. Significant factors contributing to the change are shown below:

Six months ended June 30	
Cash from operating activities – 2024	421.9
• Lower netback in 2025 mainly due to the Grande Prairie Disposition	(246.4)
• Transaction and reorganization costs in 2025 primarily related to cash payments made to optionholders on the surrender of their Paramount Options	(24.3)
• Lower receipts on risk management contract settlements in 2025	(19.4)
• Higher asset retirement obligations settled in 2025	(6.4)
• Change in non-cash working capital	60.6
• Higher interest income in 2025	11.4
• Other	(7.7)
Cash from operating activities – 2025	189.7

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	
	2025	2024	2025	2024
Cash from operating activities	39.8	220.5	189.7	421.9
Change in non-cash working capital ⁽¹⁾	31.6	40.6	(16.5)	44.1
Geological and geophysical expense ⁽²⁾	6.4	2.8	8.2	7.5
Asset retirement obligations settled ⁽¹⁾	3.0	2.3	25.2	18.8
Provisions ⁽³⁾	–	–	(0.5)	(0.5)
Transaction and reorganization costs ⁽⁴⁾	0.7	–	24.3	–
Adjusted funds flow ⁽⁵⁾	81.5	266.2	230.4	491.8
Adjusted funds flow (\$/Boe) ⁽⁶⁾	28.30	30.59	29.64	27.49

(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) Refer to the interim condensed consolidated statements of comprehensive income in the Interim Financial Statements.

(5) 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.

(6) 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, 2025 was \$81.5 million compared to \$266.2 million in the same period in 2024. Significant factors contributing to the change are shown below:

Three months ended June 30	
Adjusted funds flow – 2024	266.2
• Lower netback in 2025 mainly due to the Grande Prairie Disposition, lower liquids prices in 2025 and a first interim payment in 2024 of \$10.0 million from insurers for 2023 Alberta wildfire losses	(159.6)
• Lower receipts on risk management contract settlements in 2025	(21.5)
• Lower dividend income in 2025	(4.8)
• Higher interest income in 2025	4.4
• Other	(3.2)
Adjusted funds flow – 2025	81.5

Adjusted funds flow for the six months ended June 30, 2025 was \$230.4 million compared to \$491.8 million in the same period in 2024. Significant factors contributing to the change are shown below:

Six months ended June 30	
Adjusted funds flow – 2024	491.8
• Lower netback in 2025 mainly due to the Grande Prairie Disposition	(246.4)
• Lower receipts on risk management contract settlements in 2025	(19.4)
• Higher interest income in 2025	11.4
• Other	(7.0)
Adjusted funds flow – 2025	230.4

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	
	2025	2024	2025	2024
Cash from operating activities	39.8	220.5	189.7	421.9
Change in non-cash working capital ⁽¹⁾	31.6	40.6	(16.5)	44.1
Geological and geophysical expense ⁽²⁾	6.4	2.8	8.2	7.5
Asset retirement obligations settled ⁽¹⁾	3.0	2.3	25.2	18.8
Provisions ⁽³⁾	–	–	(0.5)	(0.5)
Transaction and reorganization costs ⁽⁴⁾	0.7	–	24.3	–
Adjusted funds flow	81.5	266.2	230.4	491.8
Capital expenditures ⁽¹⁾	(157.6)	(240.8)	(373.3)	(454.7)
Geological and geophysical expense ⁽²⁾	(6.4)	(2.8)	(8.2)	(7.5)
Asset retirement obligations settled ⁽¹⁾	(3.0)	(2.3)	(25.2)	(18.8)
Free cash flow ⁽⁵⁾	(85.5)	20.3	(176.3)	10.8

(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) Refer to the interim condensed consolidated statements of comprehensive income in the Interim Financial Statements.

(5) 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, 2025 was (\$85.5) million compared to \$20.3 million in the same period in 2024. Significant factors contributing to the change are shown below:

Three months ended June 30	
Free cash flow – 2024	20.3
• Lower adjusted funds flow in 2025 (described in "Adjusted Funds Flow" section above)	(184.7)
• Higher geological and geophysical expense in 2025	(3.6)
• Higher asset retirement obligations settled in 2025	(0.7)
• Lower capital expenditures in 2025	83.2
Free cash flow – 2025	(85.5)

Free cash flow for the six months ended June 30, 2025 was (\$176.3) million compared to \$10.8 million in the same period in 2024. Significant factors contributing to the change are shown below:

Six months ended June 30	
Free cash flow – 2024	10.8
• Lower adjusted funds flow in 2025 (described in "Adjusted Funds Flow" section above)	(261.4)
• Higher asset retirement obligations settled in 2025	(6.4)
• Higher geological and geophysical expense in 2025	(0.7)
• Lower capital expenditures in 2025	81.4
Free cash flow – 2025	(176.3)

OPERATING RESULTS

Netback

	Three months ended June 30				Six months ended June 30			
	2025		2024		2025		2024	
	(\$/Boe) ⁽¹⁾⁽²⁾		(\$/Boe) ⁽¹⁾⁽²⁾		(\$/Boe) ⁽¹⁾⁽²⁾		(\$/Boe) ⁽¹⁾⁽²⁾	
Natural gas revenue ⁽³⁾	28.9	3.07	45.6	1.69	81.4	3.19	128.0	2.29
Condensate and oil revenue ⁽³⁾	87.7	82.84	367.7	103.07	268.3	92.29	712.6	97.74
Other NGLs revenue ⁽³⁾	6.9	27.02	20.8	33.07	21.2	34.86	44.8	35.44
Natural gas transportation assignment income ⁽³⁾	2.7	0.29	—	—	10.1	0.40	—	—
Royalty income and other revenue ⁽³⁾	1.0	—	9.5	—	12.8	—	10.6	—
Petroleum and natural gas sales ⁽⁴⁾	127.2	44.20	443.6	50.99	393.8	50.64	896.0	50.09
Royalties ⁽⁴⁾	(5.7)	(2.00)	(66.1)	(7.60)	(32.4)	(4.17)	(128.0)	(7.15)
Operating expense ⁽⁴⁾	(35.7)	(12.39)	(115.7)	(13.29)	(103.5)	(13.31)	(234.5)	(13.11)
Transportation and NGLs processing ⁽⁴⁾	(13.2)	(4.57)	(31.3)	(3.60)	(33.6)	(4.32)	(63.2)	(3.53)
Sales of commodities purchased ⁽⁴⁾	43.7	15.18	84.4	9.70	153.4	19.72	139.1	7.77
Commodities purchased ⁽⁴⁾	(43.4)	(15.07)	(82.4)	(9.47)	(150.5)	(19.36)	(135.8)	(7.59)
Netback ⁽⁵⁾	72.9	25.35	232.5	26.73	227.2	29.20	473.6	26.48
Risk management contract settlements ⁽⁶⁾	14.9	5.16	36.4	4.18	16.4	2.11	35.8	2.01
Netback including risk management contract settlements ⁽⁷⁾	87.8	30.51	268.9	30.91	243.6	31.31	509.4	28.49

(1) Natural gas revenue and natural gas transportation assignment income 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.

(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 \$127.2 million for the three months ended June 30, 2025 compared to \$443.6 million for the same period in 2024. The decrease in 2025 was mainly due to the Grande Prairie Disposition and the effects of a 13 percent decrease in the average realized petroleum and natural gas sales price 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, 2025 compared to the same period in 2024 are as follows:

	Natural gas	Condensate and oil	Other NGLs	Natural gas transportation assignment and royalty income and other revenue	Total
Three months ended June 30, 2024	45.6	367.7	20.8	9.5	443.6
Effect of changes in sales volumes	(29.7)	(258.6)	(12.4)	—	(300.7)
Effect of changes in prices	13.0	(21.4)	(1.5)	—	(9.9)
Change in natural gas transportation assignment and royalty income and other revenue	—	—	—	(5.8)	(5.8)
Three months ended June 30, 2025	28.9	87.7	6.9	3.7	127.2

Petroleum and natural gas sales were \$393.8 million for the six months ended June 30, 2025 compared to \$896.0 million for the same period in 2024. The decrease in the six months ended June 30, 2025 was mainly due to the Grande Prairie Disposition.

The impact of changes in prices and sales volumes on petroleum and natural gas sales for the six months ended June 30, 2025 compared to the same period in 2024 are as follows:

	Natural gas	Condensate and oil	Other NGLs	Natural gas transportation assignment and royalty income and other revenue	Total
Six months ended June 30, 2024	128.0	712.6	44.8	10.6	896.0
Effect of changes in sales volumes	(69.6)	(428.4)	(23.2)	–	(521.2)
Effect of changes in prices	23.0	(15.9)	(0.4)	–	6.7
Change in natural gas transportation assignment and royalty income and other revenue	–	–	–	12.3	12.3
Six months ended June 30, 2025	81.4	268.3	21.2	22.9	393.8

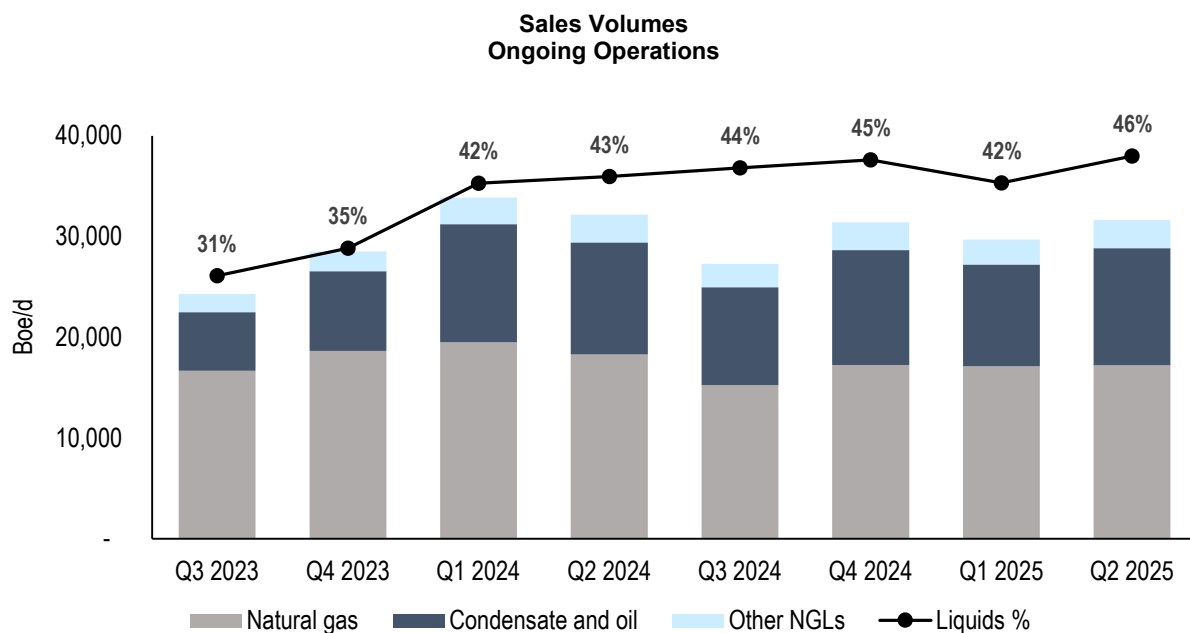
Natural gas transportation assignment income of \$2.7 million and \$10.1 million for the three and six months ended June 30, 2025, respectively, relates to proceeds realized by the Company on the assignment of a portion of its ex-Alberta natural gas transportation capacity to third parties. The assignee was responsible for the cost of the transportation assigned.

Royalty income and other revenue for the six months ended June 30, 2025 includes \$11.1 million related to a second interim payment from insurers for 2023 Alberta wildfire losses. Royalty income and other revenue for the three and six months ended June 30, 2024 includes \$10.0 million related to the first interim payment from insurers for 2023 wildfire losses. The Company has received \$21.1 million in aggregate interim payments in respect of its 2023 Alberta wildfire losses to date and continues to advance its insurance claims process.

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⁾		
	2025	2024	Chg	2025	2024	Chg	2025	2024	Chg	2025	2024	Chg
Central Alberta and Other	22.6	25.1	(10%)	4,393	2,883	52%	1,523	1,156	32%	9,669	8,226	18%
Kaybob	80.7	84.6	(5%)	7,243	8,241	(12%)	1,263	1,599	(21%)	21,962	23,946	(8%)
Ongoing Operations	103.3	109.7	(6%)	11,636	11,124	5%	2,786	2,755	1%	31,631	32,172	(2%)
Sold Assets	–	187.1	(100%)	–	28,082	(100%)	–	4,173	(100%)	–	63,437	(100%)
Total	103.3	296.8	(65%)	11,636	39,206	(70%)	2,786	6,928	(60%)	31,631	95,609	(67%)

(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 31,631 Boe/d (46% liquids) in the second quarter of 2025 compared to 95,609 Boe/d (48% liquids) in the same period in 2024. The decrease in total Company sales volumes in 2025 was mainly due to the Grande Prairie Disposition.

Sales volumes from Ongoing Operations averaged 31,631 Boe/d (46% liquids) in the second quarter of 2025 compared to 32,172 Boe/d (43% liquids) in the same period in 2024.

Sales volumes for the Central Alberta Region and Other were 9,669 Boe/d (61% liquids) in the second quarter of 2025 compared to 8,226 Boe/d (49% liquids) in the same period in 2024. The Company brought onstream five Duvernay wells at Willesden Green during the second quarter of 2025.

Kaybob Region sales volumes averaged 21,962 Boe/d (39% liquids) in the second quarter of 2025 compared to 23,946 Boe/d (41% liquids) in the same period in 2024. Paramount brought onstream four Duvernay wells at Kaybob North at the end of the first quarter of 2025, partially offsetting declines.

	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⁾		
	2025	2024	Chg	2025	2024	Chg	2025	2024	Chg	2025	2024	Chg
Central Alberta and Other	21.9	31.9	(31%)	4,005	3,383	18%	1,355	1,151	18%	9,005	9,856	(9%)
Kaybob	81.1	81.5	–	6,873	8,032	(14%)	1,278	1,539	(17%)	21,668	23,149	(6%)
Ongoing Operations	103.0	113.4	(9%)	10,878	11,415	(5%)	2,633	2,690	(2%)	30,673	33,005	(7%)
Sold Assets	38.2	194.4	(80%)	5,186	28,642	(82%)	724	4,251	(83%)	12,284	65,288	(81%)
Total	141.2	307.8	(54%)	16,064	40,057	(60%)	3,357	6,941	(52%)	42,957	98,293	(56%)

(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 42,957 Boe/d (45% liquids) in the six months ended June 30, 2025 compared to 98,293 Boe/d (48% liquids) in the same period in 2024. The decrease in total Company sales volumes in 2025 was mainly due to the Grande Prairie Disposition and, to a lesser extent, lower sales volumes from Ongoing Operations.

Sales volumes from Ongoing Operations averaged 30,673 Boe/d (44% liquids) in the six months ended June 30, 2025 compared to 33,005 Boe/d (43% liquids) in the same period in 2024.

Sales volumes for the Central Alberta Region and Other were 9,005 Boe/d (60% liquids) in the six months ended June 30, 2025 compared to 9,856 Boe/d (46% liquids) in the same period in 2024. The decrease in 2025 was primarily due to the shut-in of approximately 2,800 Boe/d of Horn River Basin dry gas production early in the second quarter of 2024. The Company brought onstream eight Duvernay wells at Willesden Green in the first half of 2025.

Kaybob Region sales volumes averaged 21,668 Boe/d (38% liquids) in the six months ended June 30, 2025 compared to 23,149 Boe/d (41% liquids) in the same period in 2024. Paramount brought onstream four Duvernay wells at Kaybob North in the first half of 2025, partially offsetting declines.

Commodity Prices

	Three months ended June 30			Six months ended June 30		
	2025	2024	% Chg	2025	2024	% Chg
Natural Gas ⁽¹⁾						
Paramount realized natural gas price (\$/Mcf)	3.07	1.69	82	3.19	2.29	39
AECO daily spot (\$/GJ)	1.60	1.12	43	1.83	1.74	5
AECO monthly index (\$/GJ)	1.96	1.36	44	1.94	1.65	18
Dawn (\$/MMBtu)	4.03	2.32	74	4.78	2.57	86
NYMEX (US\$/MMBtu)	3.51	2.34	50	3.69	2.21	67
Malin daily index (US\$/MMBtu)	2.17	1.38	57	2.71	2.26	20
Condensate and Oil ⁽¹⁾						
Paramount realized condensate & oil price (\$/Bbl)	82.84	103.07	(20)	92.29	97.74	(6)
Edmonton light sweet crude oil (\$/Bbl)	86.11	105.97	(19)	90.55	100.71	(10)
Edmonton condensate (\$/Bbl)	88.30	104.82	(16)	93.61	102.03	(8)
West Texas Intermediate crude oil (US\$/Bbl)	63.74	80.57	(21)	67.58	78.76	(14)
Other NGLs ⁽¹⁾						
Paramount realized Other NGLs price (\$/Bbl)	27.02	33.07	(18)	34.86	35.44	(2)
Conway – propane (\$/Bbl)	40.74	42.20	(3)	46.66	43.48	7
Belvieu – butane (\$/Bbl)	50.67	48.82	4	54.47	52.76	3
Foreign Exchange						
\$ / 1 \$US	1.38	1.37	1	1.41	1.36	4

(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, the California/Oregon border 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 2025, Paramount's natural gas sales portfolio included arrangements to sell approximately 40,000 GJ/d of natural gas at Dawn, approximately 22,000 GJ/d of natural gas at Malin and approximately 20,000 GJ/d of natural gas at Emerson. The Company's natural gas sales portfolio in the first half of 2024 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. With the natural gas market diversification contracts currently in place, approximately 70 percent of the Company's expected natural gas sales volumes for the remainder of 2025 will benefit from exposure to markets outside of AECO.

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 and market index differentials, which are further adjusted for transportation and quality.

Propane, butane and condensate from fractionation are sold under monthly and long-term contracts with prices primarily based on the Edmonton market with some diversification to alternate markets, adjusted for transportation and fractionation costs.

The Company had the following fixed price and basis differential physical contracts at June 30, 2025:

	Volume	Location	Average price	Remaining Term
Natural gas (Sale)	19,327 GJ/d	Dawn	AECO + \$2.06/GJ	July 2025 – October 2025
Natural gas basis swap ⁽¹⁾	38,654 GJ/d	AECO / Dawn	\$1.59/GJ	November 2025 – October 2027

(1) Paramount sells at Dawn at a fixed price of \$4.51/GJ and buys at AECO at a fixed price of \$2.92/GJ resulting in a net amount of \$1.59/GJ.

Risk Management Contracts

Commodity Contracts

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

	Six months ended June 30, 2025
Fair value, beginning of period	3.8
Changes in fair value	42.7
Settlements (received) paid	(16.4)
Fair value, end of period	30.1

Paramount had the following financial commodity contracts at June 30, 2025:

Instruments	Aggregate notional	Average price	Remaining term
Oil			
NYMEX WTI Swaps (Sale) ⁽¹⁾	10,000 Bbl/d	\$105.00/Bbl	July 2025 – December 2025
Natural Gas			
Citygate / Malin Basis Swap ⁽²⁾	10,000 MMBtu/d	Citygate less US\$0.97/MMBtu (Sell) Malin (Buy)	July 2025 – October 2028

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

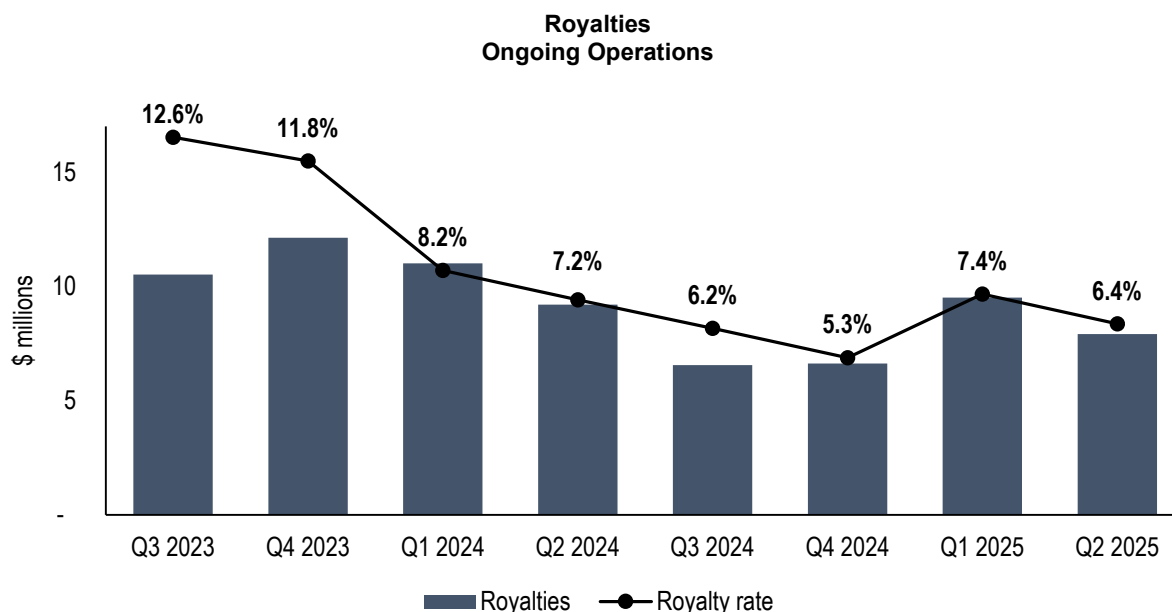
(2) "Citygate" refers to Pacific Gas & Electric Citygate and "Malin" refers to Pacific Gas & Electric Malin. Pursuant to the swap transaction Paramount sells at Citygate less US\$0.97/MMBtu and buys at Malin. The transaction is financially settled with no physical delivery.

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

Royalties

	Three months ended June 30				Six months ended June 30			
	2025	Rate ⁽¹⁾	2024	Rate ⁽¹⁾	2025	Rate ⁽¹⁾	2024	Rate ⁽¹⁾
Ongoing Operations	7.9	6.4%	9.2	7.2%	17.4	6.9%	20.2	7.7%
Sold Assets	(2.2)	NM ⁽²⁾	56.9	18.6%	15.0	12.6%	107.8	17.3%
Royalties – Total Company	5.7	4.6%	66.1	15.2%	32.4	8.7%	128.0	14.5%
<i>\$/Boe – Ongoing Operations ⁽¹⁾</i>	<i>2.75</i>		<i>3.14</i>		<i>3.14</i>		<i>3.36</i>	
<i>\$/Boe – Total Company ⁽¹⁾</i>	<i>2.00</i>		<i>7.60</i>		<i>4.17</i>		<i>7.15</i>	

(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.
(2) NM Not meaningful.



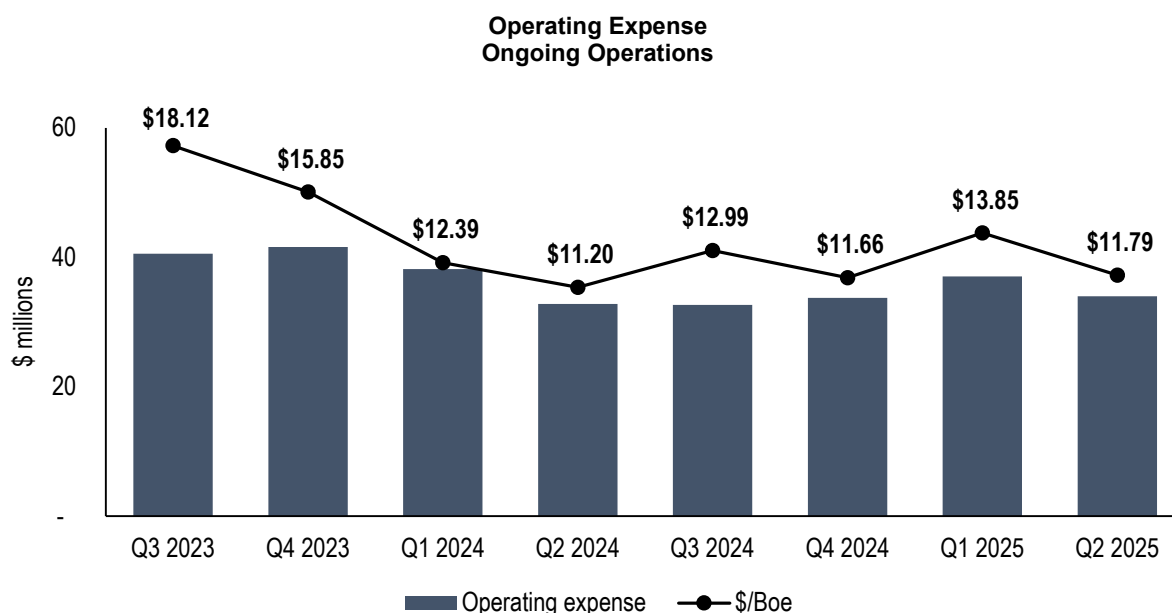
Total Company royalties were \$5.7 million in the second quarter of 2025 compared to \$66.1 million in the same period in 2024. Total Company royalties were \$32.4 million for the six months ended June 30, 2025 compared to \$128.0 million in the same period in 2024. Royalties and royalty rates decreased in 2025 mainly due to the Grande Prairie Disposition.

Royalties from Ongoing Operations were \$7.9 million in the second quarter of 2025 compared to \$9.2 million in the same period in 2024. Royalties from Ongoing Operations were \$17.4 million for the six months ended June 30, 2025 compared to \$20.2 million in the same period in 2024. The decrease in royalties and royalty rates from Ongoing Operations were mainly due to the impacts of lower condensate and oil revenue.

Operating Expense

	Three months ended June 30			Six months ended June 30		
	2025	2024	% Chg	2025	2024	% Chg
Ongoing Operations	33.9	32.8	3	71.0	70.9	–
Sold Assets	1.8	82.9	(98)	32.5	163.6	(80)
Operating expense – Total Company	35.7	115.7	(69)	103.5	234.5	(56)
<i>\$/Boe – Ongoing Operations ⁽¹⁾</i>	<i>11.79</i>	<i>11.20</i>	<i>5</i>	<i>12.78</i>	<i>11.81</i>	<i>8</i>
<i>\$/Boe – Total Company ⁽¹⁾</i>	<i>12.39</i>	<i>13.29</i>	<i>(7)</i>	<i>13.31</i>	<i>13.11</i>	<i>2</i>

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



Total Company operating expense was \$35.7 million (\$12.39/Boe) in the second quarter of 2025 compared to \$115.7 million (\$13.29/Boe) in the same period in 2024. Total Company operating expense was \$103.5 million (\$13.31/Boe) for the six months ended June 30, 2025 compared to \$234.5 million (\$13.11/Boe) in the same period in 2024. Total Company operating expense decreased due to the Grande Prairie Disposition.

Operating expenses relating to Ongoing Operations were \$33.9 million (\$11.79/Boe) in the second quarter of 2025 compared to \$32.8 million (\$11.20/Boe) in the same period in 2024. Operating expenses relating to Ongoing Operations were \$71.0 million (\$12.78/Boe) for the six months ended June 30, 2025 compared to \$70.9 million (\$11.81/Boe) in the same period in 2024. Operating expenses relating to Ongoing Operations for the three and six months ended June 30, 2025 were relatively consistent compared to the same periods in 2024.

Transportation and NGLs Processing

	Three months ended June 30			Six months ended June 30		
	2025	2024	% Chg	2025	2024	% Chg
Ongoing Operations	13.3	9.4	41	26.0	18.7	39
Sold Assets	(0.1)	21.9	(100)	7.6	44.5	(83)
Transportation and NGLs processing – Total Company	13.2	31.3	(58)	33.6	63.2	(47)
<i>\$/Boe – Ongoing Operations ⁽¹⁾</i>	<i>4.61</i>	<i>3.20</i>	<i>44</i>	<i>4.68</i>	<i>3.11</i>	<i>50</i>
<i>\$/Boe – Total Company ⁽¹⁾</i>	<i>4.57</i>	<i>3.60</i>	<i>27</i>	<i>4.32</i>	<i>3.53</i>	<i>22</i>

(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.

Total Company transportation and NGLs processing expense was \$13.2 million (\$4.57/Boe) in the second quarter of 2025 compared to \$31.3 million (\$3.60/Boe) in the same period in 2024. Total Company transportation and NGLs processing expense was \$33.6 million (\$4.32/Boe) for the six months ended June 30, 2025 compared to \$63.2 million (\$3.53/Boe) in the same period in 2024. Total Company transportation and NGLs processing expense decreased mainly due to the Grande Prairie Disposition. The acquiror assumed Paramount's processing and transportation commitments related to the Sold Assets in connection with the Grande Prairie Disposition.

Transportation and NGLs processing expense from Ongoing Operations was \$13.3 million (\$4.61/Boe) in the second quarter of 2025 compared to \$9.4 million (\$3.20/Boe) in the same period in 2024. Transportation and NGLs processing expense from Ongoing Operations was \$26.0 million (\$4.68/Boe) for the six months ended June 30, 2025 compared to \$18.7 million (\$3.11/Boe) in the same period in 2024. Following the Grande Prairie Disposition and the assignment of transportation capacity to the acquiror, a greater proportion of Paramount's remaining transportation capacity is to markets outside of Alberta, which have a higher per unit cost. Approximately 70 percent of the Company's natural gas volumes for the remainder of 2025 will benefit from exposure to markets outside of AECO.

Sales of Commodities Purchased and Commodities Purchased

	Three months ended June 30			Six months ended June 30		
	2025	2024	% Chg	2025	2024	% Chg
Sales of commodities purchased	43.7	84.4	(48)	153.4	139.1	10
Commodities purchased	(43.4)	(82.4)	(47)	(150.5)	(135.8)	11

Paramount purchases commodities from third parties from time to time to fulfill sales commitments and for blending purposes. These transactions are presented as separate revenue and expense items in the consolidated statements of comprehensive income in the Interim Financial Statements.

Other Items

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Depletion and depreciation expense	59.8	111.6	111.1	222.9
Change in asset retirement obligations	1.9	28.7	3.7	32.2
Exploration and evaluation expense	6.7	2.9	8.5	7.6
Loss (gain) on sale of oil and gas assets	15.3	(0.3)	(1,603.8)	(15.9)
Accretion of asset retirement obligations	6.0	10.7	13.1	21.2

Depletion and depreciation expense was \$59.8 million in the second quarter of 2025, compared to \$111.6 million in the same period of 2024. Depletion and depreciation expense was \$111.1 million in the six months ended June 30, 2025 compared to \$222.9 million in the same period in 2024. The decrease in depletion and depreciation expense in 2025 was mainly due to the Grande Prairie Disposition.

For the six months ended June 30, 2025, the Company recorded a charge of \$3.7 million (June 30 2024 – \$32.2 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. For the three and six months ended June 30, 2024, the changes mainly resulted from a reduction in the credit-adjusted risk-free rate used to discount obligations from 7.75 percent per annum to 7.0 percent per annum.

Exploration and evaluation expense was \$6.7 million and \$8.5 million for the three and six months ended June 30, 2025, respectively, compared to \$2.9 million and \$7.6 million for the same periods in 2024.

The Company closed the Grande Prairie Disposition on January 31, 2025. Pursuant to the purchase and sale agreement for the Grande Prairie Disposition, the Purchase Price for the Sold Assets was \$3.325 billion cash, subject to adjustments based on an effective date of October 1, 2024, plus certain Horn River Basin properties of the acquiror. Paramount's calculation of final adjustments was completed in the second quarter of 2025, resulting in a Purchase Price of \$3.244 billion and a gain on sale of oil and gas assets of \$1.594 billion being recorded in respect of the Grande Prairie Disposition for the six months ended June 30, 2025. \$12.0 million of the loss on sale of oil and gas assets recorded in the second quarter of 2025 relates to finalization of adjustments to the Purchase Price.

In February 2024, Paramount sold certain non-core Kaybob assets for \$45.4 million cash and the retention of a two percent no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets. The Company realized a \$14.3 million gain on sale of oil and gas assets in 2024 in connection with the transaction.

Accretion of asset retirement obligations for the three months ended June 30, 2025 decreased to \$6.0 million compared to \$10.7 million in the same period in 2024 and decreased to \$13.1 million for the six months ended June 30, 2025 compared to \$21.2 million in the same period in 2024. These decreases were primarily due to the Grande Prairie Disposition.

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations settled in the six months ended June 30, 2025 totaled \$25.2 million. Activities in the first half of 2025 included the abandonment of 14 wells and the reclamation of nine sites.

At June 30, 2025, the Company's asset retirement obligations were \$358.4 million (discounted at 7.0 percent per annum and using an inflation rate of 2.0 percent per annum) compared to \$341.0 million at December 31, 2024 (discounted at 7.0 percent per annum and using an inflation rate of 2.0 percent per annum), which excluded asset retirement obligations related to the Sold Assets that were presented separately as liabilities associated with assets held for sale at December 31, 2024. 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, 2025	December 31, 2024
Level One Securities	473.7	439.2
Level Three Securities	101.6	124.7
	575.3	563.9

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, 2025 included 31.3 million shares of NuVista Energy Ltd. ("NuVista Shares") (December 31, 2024 – 31.3 million NuVista Shares), which had a carrying value of \$468.2 million (December 31, 2024 – \$431.9 million).

Level Three Securities at June 30, 2025 included investments in the shares of Sultran Ltd. and other minor investments in securities not listed on a public stock exchange ("Other Investments"). At December 31, 2024, Level Three Securities included investments in the shares of Sultran Ltd., Westbrick Energy Ltd. and Other Investments. During the six months ended June 30, 2025, Paramount sold all of its shares in Westbrick Energy Ltd. for cash consideration of \$33.9 million, resulting in \$22.3 million of accumulated gains, net of tax, being reclassified from reserves to retained earnings.

For the three and six months ended June 30, 2025, the Company recorded an unrealized before tax gain of \$52.5 million and \$45.3 million, respectively, to other comprehensive income related to changes in the fair value estimates of its 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	
	2025	2024	2025	2024
General and administrative expense	13.9	10.5	28.0	25.0
Share-based compensation expense	3.2	5.8	21.7	13.3
Interest and financing expense	1.3	1.5	3.9	3.1
Transaction and reorganization costs	0.7	–	24.3	–
Deferred income tax expense	0.4	21.9	383.3	46.0
Other	(6.7)	(9.3)	(16.8)	(9.8)

General and administrative expense was \$13.9 million and \$28.0 million for the three and six months ended June 30, 2025, respectively, relatively consistent compared to \$10.5 million and \$25.0 million in the same periods in 2024.

Share-based compensation expense was \$3.2 million and \$21.7 million for the three and six months ended June 30, 2025, respectively, compared to \$5.8 million and \$13.3 million in the same periods in 2024. The increase in 2025 was mainly due to current year grants under the Company's short-term incentive program being made without vesting periods. Previously, grants under the short-term incentive program vested over a two-year period.

Transaction and reorganization costs in the six months ended June 30, 2025 totaled \$24.3 million, including \$22.0 million relating to cash payments made by the Company on the surrender of options to acquire Common Shares ("Paramount Options") by holders in connection with the Special Distribution, which is further described in the "Liquidity and Capital Resources – Paramount Options and Share Capital" section of this MD&A.

Deferred income tax expense was \$0.4 million and \$383.3 million for the three and six months ended June 30, 2025, respectively, compared to \$21.9 million and \$46.0 million in the same periods in 2024. The increase in deferred income tax expense in 2025 was primarily related to the gain realized on the Grande Prairie Disposition.

Other is mainly comprised of interest income earned on cash and cash equivalents and dividend income from the Company's investments in securities. Interest income was \$5.5 million and \$13.0 million for the three and six months ended June 30, 2025, respectively, compared to \$1.1 million and \$1.6 million for the same periods in 2024. Dividend income was \$3.1 million and \$3.6 million for the three and six months ended June 30, 2025, respectively, compared to \$7.9 million and \$8.3 million for the same periods in 2024.

CAPITAL EXPENDITURES AND LAND AND PROPERTY ACQUISITIONS

Capital Expenditures

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Drilling, completion, equipping and tie-ins	99.2	202.4	271.4	349.6
Facilities and gathering	51.4	39.2	88.9	108.3
Drilling rigs	1.6	0.7	4.7	4.8
Corporate	5.4	(1.5)	8.3	(8.0)
Capital expenditures	157.6	240.8	373.3	454.7
Central Alberta Region and Other	114.8	46.0	253.0	85.7
Kaybob Region	40.2	40.9	91.3	97.2
Fox Drilling	1.6	0.7	4.7	4.8
Corporate ⁽¹⁾	5.4	(1.5)	8.3	(8.0)
Ongoing Operations	162.0	86.1	357.3	179.7
Sold Assets	(4.4)	154.7	16.0	275.0
Capital expenditures	157.6	240.8	373.3	454.7

(1) Includes transfer of amounts held in Corporate to and from regions.

Land and Property Acquisitions

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Land and property acquisitions	0.6	2.4	3.8	3.0

Capital expenditures totaled \$157.6 million in the second quarter of 2025 compared to \$240.8 million in the same period in 2024. Capital expenditures totaled \$373.3 million in the six months ended June 30, 2025 compared to \$454.7 million in the same period in 2024. Significant capital program activities relating to Ongoing Operations in the first half of 2025 are described below:

- Paramount drilled 11 (11.0 net) Duvernay wells and completed and brought onstream eight (8.0 net) Duvernay wells at Willesden Green.
- Construction of the Company's wholly-owned and operated Alhambra Plant continued, with the first phase being substantially completed in July, ahead of schedule.
- The Company drilled five (5.0 net) Duvernay wells and completed and brought onstream four (4.0 net) Duvernay wells at Kaybob North.

Land and property acquisitions totaled \$0.6 million in the second quarter of 2025 compared to \$2.4 million in the same period in 2024. Land and property acquisitions totaled \$3.8 million in the first half of 2025 compared to \$3.0 million in the same period in 2024.

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, 2025	December 31, 2024
Cash and cash equivalents	(561.8)	(2.4)
Accounts receivable ⁽¹⁾	(113.8)	(191.8)
Prepaid expenses and other	(15.2)	(17.4)
Accounts payable and accrued liabilities	189.9	227.0
Long-term debt	—	173.0
Net (cash) debt	(500.9)	188.4

(1) December 31, 2024 balance excludes \$0.8 million of accounts receivable relating to lease incentives.

Net (cash) debt does not account for the \$575.3 million carrying value of the Company's investments in securities as at June 30, 2025 (December 31, 2024 – \$563.9 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, cash and cash equivalents and available capacity under the Paramount Facility.

Based on the forecasts of 2025 sales volumes set out in this MD&A under the "Guidance" section, the Company expects to fully fund its forecast 2025 annual capital expenditures, abandonment and reclamation expenditures and regular monthly dividends from cash from operating activities and cash and cash equivalents.

Paramount may also determine to divest of assets or investments in securities from time to time to reduce indebtedness or fund operations. Paramount realized cash proceeds of approximately \$3.244 billion through the Grande Prairie Disposition and repaid all remaining drawings outstanding under the Paramount Facility in January 2025. In February 2025, the Company paid the \$2.1 billion Special Distribution to shareholders. Paramount also received cash proceeds of \$34 million from the disposition of investments in securities in 2025. In 2024, the Company received cash proceeds of approximately \$127 million from the disposition of assets and investments in securities. 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 Company currently has a \$500 million financial covenant-based senior secured revolving bank credit facility, which was amended and extended in January 2025 in conjunction with the closing of the Grande Prairie Disposition. The Paramount Facility is secured by a charge over substantially all of the assets of the Company and its subsidiaries and has a maturity date of January 31, 2029.

At Paramount's request, the capacity of the Paramount Facility can be increased from \$500 million to up to \$750 million pursuant to an accordion feature in the facility, subject to incremental lender commitments and the Company achieving average quarterly production of at least 55,000 Boe/d for two consecutive fiscal quarters.

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling \$4.6 million at June 30, 2025 (December 31, 2024 – \$7.5 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, which is valid to June 30, 2026. At June 30, 2025, \$33.2 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2024 – \$29.4 million).

Cash Flow Hedges

The Company had the following electricity swaps at June 30, 2025:

Contract type	Aggregate notional ⁽¹⁾	Average fixed contract rate ⁽¹⁾	Remaining term
Electricity Swaps (Buy)	240 MWh/d	\$71.13/MWh	July 2025 – December 2025
Electricity Swaps (Buy)	120 MWh/d	\$58.79/MWh	July 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) Floating hourly rate established by the Alberta Electric System Operator. "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, 2025.

Paramount Options and Share Capital

In connection with the Special Distribution, in February 2025:

- i. all outstanding unvested Paramount Options with an exercise price less than \$15.00 were vested;
- ii. 0.9 million Paramount Options were surrendered by holders in consideration for cash payments by Paramount totaling \$22.0 million, calculated as the difference between the market price of the Common Shares and the exercise price of the applicable Paramount Options surrendered; and
- iii. the exercise price of all Paramount Options with an exercise price of greater than \$15.00 was reduced by \$15.00.

Transaction and reorganization costs in the six months ended June 30, 2025 include \$22.0 million in respect of the cash payments made by the Company on the surrender of Paramount Options.

For the six months ended June 30, 2025, Paramount issued 1.2 million Common Shares on the exercise of Paramount Options.

During the six months ended June 30, 2025, 1.3 million Common Shares were purchased under the Company's RSU plan at a total cost of \$20.2 million and 1.4 million Common Shares having a cost of \$27.1 million were released to RSU plan participants.

At July 28, 2025, Paramount had 143.3 million Common Shares outstanding (net of 0.3 million Common Shares held in trust under the Company's RSU plan) and 7.5 million Paramount Options outstanding, of which 1.5 million Paramount Options are exercisable.

Dividends and Distributions

In the six months ended June 30, 2025, Paramount declared and paid regular monthly cash dividends totaling \$0.40 per Common Share or \$58.0 million (June 30, 2024 – \$0.80 per Common Share or \$116.2 million). In July 2025, the Company declared a cash dividend of \$0.05 per Common Share that is payable on July 31, 2025 to shareholders of record on July 15, 2025. Paramount's Board of Directors has also declared a cash dividend of \$0.05 per Common Share to be payable on August 29, 2025 to shareholders of record on August 15, 2025.

In addition, Paramount paid the \$15.00 per Common Share Special Distribution in the first quarter of 2025, which is further described in the "Grande Prairie Disposition and Special Distribution" section of this MD&A.

Normal Course Issuer Bid

In July 2025, Paramount implemented a normal course issuer bid (the "2025 NCIB") under which the Company may purchase up to 7.5 million Common Shares for cancellation. The 2025 NCIB will terminate on the earlier of July 7, 2026 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2025 NCIB are purchased. Purchases of Common Shares under the 2025 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 2025 NCIB to date.

Pursuant to the rules of the TSX, the Company may purchase a maximum of 182,145 Common Shares under the 2025 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 2025 NCIB will be cancelled by the Company. Any shareholder may obtain, for no charge, a copy of the notice in respect of the 2025 NCIB filed with the TSX by contacting the Company at 403-290-3600.

Paramount previously implemented a normal course issuer bid in July 2024 (the "2024 NCIB"), which expired on July 7, 2025. In early February 2025, prior to the Special Distribution, Paramount purchased and cancelled 4.9 million Common Shares under the 2024 NCIB at a total cost of \$154.7 million. The difference between the total acquisition cost of these Common Shares and their average carrying value was charged to retained earnings. Retained earnings for the six months ended June 30, 2025 was also reduced by \$2.4 million in respect of the two percent Canadian federal tax on net share repurchases. The Company purchased and cancelled a total of 5.7 million Common Shares under the 2024 NCIB at a total cost of \$177.0 million.

QUARTERLY INFORMATION

	2025		2024				2023	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Petroleum and natural gas sales	127.2	266.6	459.3	404.8	443.6	452.3	470.5	463.8
Revenue	165.2	349.6	509.5	438.0	461.9	445.2	451.8	430.7
Net income	4.2	1,288.8	87.4	95.8	84.5	68.1	111.9	87.2
Per share – basic (\$/share)	0.03	8.90	0.60	0.65	0.58	0.47	0.78	0.61
Per share – diluted (\$/share)	0.03	8.74	0.59	0.64	0.57	0.46	0.75	0.59
Cash from operating activities	39.8	149.9	187.7	205.7	220.5	201.3	287.0	207.6
Per share – basic (\$/share) ⁽¹⁾	0.28	1.03	1.28	1.40	1.51	1.39	1.99	1.45
Per share – diluted (\$/share) ⁽¹⁾	0.27	1.02	1.26	1.38	1.47	1.35	1.93	1.40
Adjusted funds flow ⁽¹⁾	81.5	149.1	237.8	200.7	266.2	225.6	284.1	234.2
Per share – basic (\$/share)	0.57	1.03	1.62	1.37	1.82	1.56	1.97	1.64
Per share – diluted (\$/share)	0.56	1.01	1.59	1.34	1.78	1.52	1.91	1.58
Free cash flow ⁽¹⁾	(85.5)	(90.6)	52.8	(26.3)	20.3	(9.5)	59.7	18.5
Per share – basic (\$/share)	(0.60)	(0.63)	0.36	(0.18)	0.14	(0.07)	0.41	0.13
Per share – diluted (\$/share)	(0.60)	(0.63)	0.35	(0.18)	0.14	(0.07)	0.40	0.12
Dividends and distributions declared (\$/share)	0.15	15.25	0.45	0.45	0.425	0.375	0.375	0.375
Sales volumes								
Natural gas (MMcf/d)	103.3	179.6	317.3	294.5	296.8	318.7	326.2	323.1
Condensate and oil (Bbl/d)	11,636	20,542	42,835	38,770	39,206	40,908	40,290	38,161
Other NGLs (Bbl/d)	2,786	3,934	6,753	7,045	6,928	6,954	6,698	6,627
Total (Boe/d)	31,631	54,409	102,477	94,892	95,609	100,977	101,348	98,644
Liquids %	46%	45%	48%	48%	48%	47%	46%	45%
Realized prices ⁽¹⁾								
Natural gas (\$/Mcf)	3.07	3.25	1.99	1.37	1.69	2.84	2.79	2.67
Condensate and oil (\$/Bbl)	82.84	97.70	96.26	96.15	103.07	92.64	98.12	103.36
Other NGLs (\$/Bbl)	27.02	40.47	34.32	36.25	33.07	37.81	36.00	33.64
Petroleum and natural gas (\$/Boe)	44.20	54.43	48.72	46.37	50.99	49.24	50.46	51.11

(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 2025 earnings include a \$33.8 million gain on risk management contracts and a \$12.0 million loss on sale of oil and gas assets related to finalization of adjustments to the Purchase Price for the Grande Prairie Disposition.
- First quarter 2025 earnings include a \$1,619.1 million gain on the sale of oil and gas assets, \$383.0 million of deferred tax expense, \$23.7 million of transaction and reorganization costs and \$11.1 million of income related to the second interim payment from insurers for 2023 Alberta wildfire losses.

- Fourth quarter 2024 earnings include a \$25.3 million loss on risk management contracts and lower depletion and depreciation expense mainly from transferring the Sold Assets to held for sale during the fourth quarter of 2024.
- Third quarter 2024 earnings include a \$32.5 million gain on risk management contracts.
- Second quarter 2024 earnings include a \$36.0 million gain on risk management contracts, \$10.0 million related to the first interim payment from insurers for 2023 Alberta 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.

OTHER INFORMATION

Paramount had the following contractual obligations at June 30, 2025: ⁽¹⁾

	Within one year	After one year but not more than three years	After three years but not more than five years	More than five years	Total
Transportation and processing commitments	64.1	182.0	215.4	766.3	1,227.8
Finance lease and other commitments	13.2	12.1	5.8	17.8	48.9
	77.3	194.1	221.2	784.1	1,276.7

(1) Excludes risk management liabilities and accounts payable and accrued liabilities. For additional information concerning the Company's risk management liabilities, refer to Note 11 in the Interim Financial Statements.

Transportation and processing commitments mainly relate to long-term firm service arrangements for the transportation and processing of the Company's sales volumes.

In connection with the first quarter 2025 Grande Prairie Disposition, the acquiror assumed Paramount's processing and transportation commitments and finance lease obligations related to the Sold Assets.

Contingencies

Pipeline Release

Paramount is responding to a release of liquids that it believes to have originated from a Company pipeline located approximately 20 kilometers southeast of Fox Creek, Alberta. The response was initiated by Paramount after a routine fly-over inspection of the pipeline right of way on July 3, 2025. Paramount has notified impacted stakeholders and its insurers and commenced clean-up operations in co-operation with applicable regulatory authorities. The Company has incurred approximately \$2 million to date responding to the release. The ultimate financial impact of the release on Paramount will be dependent on a number of factors that have yet to be determined, including the extent of required remediation activities.

Proceedings and Legal Actions

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, 2025, 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.

A variety of tariffs and retaliatory tariffs have been announced, threatened or imposed as between the United States and Canada and the United States and other nations. Risks exist as of the date of this MD&A that: (i) the tariffs and retaliatory tariffs imposed to date will remain in place for an extended period; (ii) additional tariffs and retaliatory tariffs will be imposed between the United States and Canada or between the United States and other nations; (iii) other actions will be taken to restrict or tax the trade of goods between the United States and Canada or between the United States and other nations; and/or (iv) action will be taken to amend or terminate existing trade agreements, including the United States-Mexico-Canada Agreement.

See the "Risk Factors – Tariffs and Other Trade Actions" section of the Annual Information Form for a description of the risks to the Company associated with existing or potential tariffs, export restrictions and/or export taxes. In addition, the existence of the conditions described above increases the Company's exposure to the risks described in the "Risk Factors" section of the Annual Information Form under "Volatility of NGLs, Natural Gas and Oil Prices and Price Differentials", "Uncertainty as to Costs", "Availability of Equipment, Materials and Services", "Market Price of Common Shares", "Investment Risk" and "Hedging, Interest Rates and Foreign Currency Exchange Rates".

PRODUCT TYPE INFORMATION

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

	2025		2024				2023		YTD June 30	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	2025	2024
SALES VOLUMES – TOTAL COMPANY BY PRODUCT TYPE										
Shale gas (MMcf/d)	58.9	134.2	269.2	249.0	243.1	268.5	271.8	276.7	96.3	255.8
Conventional natural gas (MMcf/d)	44.4	45.4	48.1	45.5	53.7	50.2	54.4	46.4	44.9	52.0
Natural gas (MMcf/d)	103.3	179.6	317.3	294.5	296.8	318.7	326.2	323.1	141.2	307.8
Condensate (Bbl/d)	9,688	18,817	41,243	36,830	36,825	38,332	37,522	35,984	14,227	37,579
Other NGLs (Bbl/d)	2,786	3,934	6,753	7,045	6,928	6,954	6,698	6,627	3,357	6,941
NGLs (Bbl/d)	12,474	22,751	47,996	43,875	43,753	45,286	44,220	42,611	17,584	44,520
Light and medium crude oil (Bbl/d)	1,263	971	792	1,235	1,566	1,595	1,636	1,154	1,118	1,580
Tight oil (Bbl/d)	285	396	393	368	466	592	699	627	340	529
Heavy crude oil (Bbl/d)	400	358	407	337	349	389	433	396	379	369
Crude oil (Bbl/d)	1,948	1,725	1,592	1,940	2,381	2,576	2,768	2,177	1,837	2,478
Total (Boe/d)	31,631	54,409	102,477	94,892	95,609	100,977	101,348	98,644	42,957	98,293

SALES VOLUMES – CENTRAL ALBERTA REGION AND OTHER										
Shale gas (MMcf/d)	19.4	17.6	19.7	14.2	20.3	36.4	27.5	25.9	18.5	28.3
Conventional natural gas (MMcf/d)	3.2	3.6	3.7	3.8	4.8	2.4	4.6	4.5	3.4	3.6
Natural gas (MMcf/d)	22.6	21.2	23.4	18.0	25.1	38.8	32.1	30.4	21.9	31.9
Condensate (Bbl/d)	3,760	2,992	3,120	1,964	2,273	3,233	1,364	859	3,378	2,753
Other NGLs (Bbl/d)	1,523	1,186	1,296	924	1,156	1,144	751	631	1,355	1,151
NGLs (Bbl/d)	5,283	4,178	4,416	2,888	3,429	4,377	2,115	1,490	4,733	3,904
Light and medium crude oil (Bbl/d)	22	28	20	11	22	22	34	23	25	22
Tight oil (Bbl/d)	211	234	220	160	239	239	267	303	223	239
Heavy crude oil (Bbl/d)	400	358	407	337	349	389	433	396	379	369
Crude oil (Bbl/d)	633	620	647	508	610	650	734	722	627	630
Total (Boe/d)	9,669	8,334	8,972	6,390	8,226	11,485	8,193	7,274	9,005	9,856

SALES VOLUMES – KAYBOB										
Shale gas (MMcf/d)	39.5	39.7	35.7	31.8	35.8	30.6	30.2	28.0	39.6	33.2
Conventional natural gas (MMcf/d)	41.2	41.8	44.3	41.6	48.8	47.7	49.6	41.7	41.5	48.3
Natural gas (MMcf/d)	80.7	81.5	80.0	73.4	84.6	78.3	79.8	69.7	81.1	81.5
Condensate (Bbl/d)	5,928	5,500	6,794	5,943	6,617	6,038	4,003	2,981	5,715	6,328
Other NGLs (Bbl/d)	1,263	1,292	1,480	1,403	1,599	1,480	1,209	1,188	1,278	1,539
NGLs (Bbl/d)	7,191	6,792	8,274	7,346	8,216	7,518	5,212	4,169	6,993	7,867
Light and medium crude oil (Bbl/d)	1,241	943	772	1,224	1,544	1,573	1,602	1,131	1,093	1,558
Tight oil (Bbl/d)	74	57	60	85	80	212	205	104	65	146
Crude oil (Bbl/d)	1,315	1,000	832	1,309	1,624	1,785	1,807	1,235	1,158	1,704
Total (Boe/d)	21,962	21,371	22,441	20,894	23,946	22,353	20,324	17,027	21,668	23,149

	2025		2024				2023		YTD June 30	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	2025	2024
SALES VOLUMES – SOLD ASSETS										
Shale gas (MMcf/d)	–	76.9	213.8	203.0	187.0	201.5	214.1	222.8	38.2	194.3
Conventional natural gas (MMcf/d)	–	–	0.1	0.1	0.1	0.1	0.2	0.2	–	0.1
Natural gas (MMcf/d)	–	76.9	213.9	203.1	187.1	201.6	214.3	223.0	38.2	194.4
Condensate (Bbl/d)	–	10,325	31,329	28,923	27,935	29,061	32,155	32,144	5,134	28,498
Other NGLs (Bbl/d)	–	1,456	3,977	4,718	4,173	4,330	4,738	4,808	724	4,251
NGLs (Bbl/d)	–	11,781	35,306	33,641	32,108	33,391	36,893	36,952	5,858	32,749
Tight oil (Bbl/d)	–	105	113	123	147	141	227	220	52	144
Crude oil (Bbl/d)	–	105	113	123	147	141	227	220	52	144
Total (Boe/d)	–	24,704	71,064	67,608	63,437	67,139	72,831	74,343	12,284	65,288

2025 average sales volumes are expected to be between 38,500 Boe/d and 42,500 Boe/d (53% shale gas and conventional natural gas combined, 39% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 8% other NGLs).

Third quarter sales volumes are expected to average between 30,000 Boe/d and 32,000 Boe/d (55% shale gas and conventional natural gas combined, 37% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 8% Other NGLs).

Fourth quarter 2025 average sales volumes are expected to be between 42,000 Boe/d and 45,000 Boe/d (48% shale gas and conventional natural gas combined, 43% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 9% Other NGLs).

2025 year-end sales volumes exit rate is expected to be in excess of 45,000 Boe/d (48% shale gas and conventional natural gas combined, 43% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 9% 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, 2025 and 2024 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, 2025 and 2024 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, 2025 and 2024 is provided in this MD&A under "Consolidated Results – Free Cash Flow".

A calculation of net (cash) debt as at June 30, 2025 and December 31, 2024 is provided in this MD&A under the "Liquidity and Capital Resources" section. Paramount's net debt to adjusted funds flow ratio was considered not meaningful at June 30, 2025, as the Company was not in a net debt position. The Company's net debt to adjusted funds flow ratio (determined on a trailing four quarter basis) was 0.2x at December 31, 2024.

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 natural gas transportation assignment income and 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:

- expected average sales volumes for 2025 and certain periods therein;
- the expected 2025 exit rate of production;
- planned capital expenditures in 2025;
- planned abandonment and reclamation expenditures for the second half of 2025;
- the expected ramp-up of sales volumes through the Alhambra Plant;
- the expected sources of funding for forecast 2025 capital expenditures, abandonment and reclamation expenditures and regular monthly dividends; and
- the anticipation that legal proceedings will not have a material impact on Paramount's financial position.

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 potential scope and duration of tariffs, export taxes, export restrictions or other trade actions;
- 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, pipelines and other infrastructure;
- 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 design, construction, commissioning and start-up of new and expanded Company and third-party facilities, pipelines and other infrastructure, including the Alhambra Plant 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 political and economic conditions, including risks associated with tariffs, export taxes, export restrictions or other trade actions;
- 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, cash flows, 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, commissioning, starting-up or operating new, expanded or existing facilities, pipelines and other infrastructure, including third-party facilities and the Alhambra Plant;
- 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;
- 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.

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

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, 2024, 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.

Oil and Gas Measures and Definitions

Liquids		Natural Gas	
Bbl	Barrels	Mcf	Thousands of cubic feet
Bbl/d	Barrels per day	MMcf/d	Millions of cubic feet per day
NGLs	Natural gas liquids	GJ	Gigajoules
Condensate	Pentane and heavier hydrocarbons	GJ/d	Gigajoules per day
WTI	West Texas Intermediate	MMBtu	Millions of British Thermal Units
Oil Equivalent		MMBtu/d	Millions of British Thermal Units per day
Boe	Barrels of oil equivalent	NYMEX	New York Mercantile Exchange
Boe/d	Barrels of oil equivalent per day	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, 2025, the value ratio between crude oil and natural gas was approximately 47:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value.



Interim Condensed Consolidated Financial Statements (Unaudited)
For the three and six months ended June 30, 2025

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(\$ millions)

As at	Note	June 30 2025	December 31 2024
ASSETS			
Current assets			
Cash and cash equivalents	14	561.8	2.4
Accounts receivable		113.8	192.6
Risk management – current	11	34.5	8.3
Prepaid expenses and other		15.2	17.4
Assets held for sale	3	–	1,903.2
		725.3	2,123.9
Investments in securities	4	575.3	563.9
Risk management – long-term	11	4.5	1.2
Exploration and evaluation	2	449.5	427.1
Property, plant and equipment, net	3	1,763.3	1,509.9
Deferred income tax	10	–	131.5
		3,517.9	4,757.5
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		189.9	227.0
Risk management – current	11	1.5	0.7
Asset retirement obligations and other – current	6	39.9	30.1
Liabilities associated with assets held for sale	3	–	287.1
		231.3	544.9
Long-term debt	5	–	173.0
Risk management – long-term	11	4.4	4.5
Asset retirement obligations and other – long-term	6	346.0	339.8
Deferred income tax	10	257.7	–
		839.4	1,062.2
Commitments and contingencies	16		
Shareholders' equity			
Share capital	7	514.1	2,323.3
Retained earnings		1,549.1	766.7
Reserves	8	615.3	605.3
		2,678.5	3,695.3
		3,517.9	4,757.5

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	
		2025	2024	2025	2024
Petroleum and natural gas sales		127.2	443.6	393.8	896.0
Royalties		(5.7)	(66.1)	(32.4)	(128.0)
Sales of commodities purchased		43.7	84.4	153.4	139.1
Revenue	12	165.2	461.9	514.8	907.1
Gain on risk management contracts	11	33.8	36.0	42.7	24.7
		199.0	497.9	557.5	931.8
Expenses					
Operating expense		35.7	115.7	103.5	234.5
Transportation and NGLs processing		13.2	31.3	33.6	63.2
Commodities purchased		43.4	82.4	150.5	135.8
General and administrative		13.9	10.5	28.0	25.0
Share-based compensation	9	3.2	5.8	21.7	13.3
Depletion and depreciation	3	61.7	140.3	114.8	255.1
Exploration and evaluation	2	6.7	2.9	8.5	7.6
Loss (gain) on sale of oil and gas assets	3	15.3	(0.3)	(1,603.8)	(15.9)
Interest and financing		1.3	1.5	3.9	3.1
Accretion of asset retirement obligations	6	6.0	10.7	13.1	21.2
Transaction and reorganization costs	9	0.7	—	24.3	—
Other	13	(6.7)	(9.3)	(16.8)	(9.8)
		194.4	391.5	(1,118.7)	733.1
Income before tax		4.6	106.4	1,676.2	198.7
Income tax expense					
Deferred	10	0.4	21.9	383.3	46.0
		0.4	21.9	383.3	46.0
Net income		4.2	84.5	1,292.9	152.7
Other comprehensive income (loss), net of tax	8				
<i>Items that will be reclassified to net income</i>					
Change in fair value of cash flow hedges, net of tax		6.5	(0.8)	0.5	(2.0)
Reclassification to net income, net of tax		0.7	0.3	1.4	(0.2)
<i>Items that will not be reclassified to net income</i>					
Change in fair value of securities, net of tax	4	46.4	76.2	40.0	104.6
Comprehensive income		57.8	160.2	1,334.8	255.1
Net income per common share (\$/share)	7				
Basic		0.03	0.58	8.98	1.05
Diluted		0.03	0.57	8.82	1.02

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		Six months ended June 30	
		2025	2024	2025	2024
Operating activities					
Net income		4.2	84.5	1,292.9	152.7
Add (deduct):					
Items not involving cash	14	70.2	178.9	(1,094.5)	332.1
Asset retirement obligations settled	6	(3.0)	(2.3)	(25.2)	(18.8)
Change in non-cash working capital		(31.6)	(40.6)	16.5	(44.1)
Cash from operating activities		39.8	220.5	189.7	421.9
Financing activities					
Net repayment of revolving long-term debt	5	—	—	(173.6)	—
Lease liabilities – principal repayments	6	(1.1)	(0.9)	(2.1)	(2.0)
Dividends and distributions	7	(20.7)	(62.1)	(2,205.5)	(116.2)
Common Shares issued, net of issue costs	7	1.3	10.6	9.9	18.7
Common Shares purchased under NCIB	7	—	—	(157.1)	—
RSU plan	9	(31.5)	(14.9)	(34.8)	(15.3)
Change in non-cash working capital		—	—	2.4	—
Cash used in financing activities		(52.0)	(67.3)	(2,560.8)	(114.8)
Investing activities					
Capital expenditures	2,3	(157.6)	(240.8)	(373.3)	(454.7)
Land and property acquisitions	2,3	(0.6)	(2.4)	(3.8)	(3.0)
Proceeds of disposition	2,3,4	(19.1)	75.0	3,270.1	127.2
Change in non-cash working capital		(90.6)	(4.5)	37.9	11.8
Cash (used in) from investing activities		(267.9)	(172.7)	2,930.9	(318.7)
Net (decrease) increase		(280.1)	(19.5)	559.8	(11.6)
Foreign exchange on cash and cash equivalents		(1.0)	0.3	(0.4)	0.6
Cash and cash equivalents, beginning of period		842.9	57.1	2.4	48.9
Cash and cash equivalents, end of period		561.8	37.9	561.8	37.9

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

Supplemental cash flow information

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

(\$ millions, except as noted)

Six months ended June 30	Note	2025		2024	
		Shares (millions)		Shares (millions)	
Share capital					
Balance, beginning of period		146.9	2,323.3	144.2	2,302.0
Issued on exercise of Paramount Options	7,9	1.2	13.7	2.3	24.6
Common Shares purchased & cancelled under NCIB	7	(4.9)	(111.1)	–	–
Change in Common Shares for RSU plan	9	0.1	6.9	0.2	(2.8)
Return of capital distribution	7	–	(1,718.7)	–	–
Balance, end of period		143.3	514.1	146.7	2,323.8
Retained earnings					
Balance, beginning of period			766.7		632.4
Net income			1,292.9		152.7
Dividends	7		(486.8)		(116.2)
Common Shares purchased & cancelled under NCIB	7		(46.0)		–
Reclassification of accumulated gain on securities	4		22.3		57.7
Balance, end of period			1,549.1		726.6
Reserves	8				
Balance, beginning of period			605.3		564.8
Other comprehensive income			41.9		102.4
Contributed surplus			(9.6)		5.1
Reclassification of accumulated gain on securities	4		(22.3)		(57.7)
Balance, end of period			615.3		614.6
Shareholders' equity			2,678.5		3,665.0

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

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 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, 2025 (the "Interim Financial Statements"), were authorized for issuance by the Audit Committee of Paramount's Board of Directors on July 29, 2025.

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, 2024 (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 and all references to "US\$" are to United States dollars. 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, 2025	Twelve months ended December 31, 2024
Balance, beginning of period	427.1	546.6
Additions	21.9	15.7
Acquisitions	1.9	14.0
Change in asset retirement provision	–	1.2
Transfers to property, plant and equipment	(0.9)	(16.2)
Expired lease costs	(0.3)	(14.6)
Dispositions	(0.2)	(12.5)
Transfer to assets held for sale (see Note 3)	–	(107.1)
Balance, end of period	449.5	427.1

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Exploration and Evaluation Expense

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Geological and geophysical expense	6.4	2.8	8.2	7.5
Expired lease costs	0.3	0.1	0.3	0.1
	6.7	2.9	8.5	7.6

At June 30, 2025, 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, 2025	Petroleum and natural gas assets	Drilling rigs	Right-of-use assets	Other	Total
Cost					
Balance, beginning of period	2,744.6	175.2	29.5	63.4	3,012.7
Additions	348.6	4.7	0.7	1.1	355.1
Acquisitions	13.3	—	—	—	13.3
Transfers	0.9	—	—	—	0.9
Dispositions	(17.6)	—	(0.4)	—	(18.0)
Derecognition	—	—	(0.7)	—	(0.7)
Change in asset retirement provision	16.1	—	—	—	16.1
Cost, end of period	3,105.9	179.9	29.1	64.5	3,379.4
Accumulated depletion and depreciation					
Balance, beginning of period	(1,357.5)	(98.4)	(9.7)	(37.2)	(1,502.8)
Depletion and depreciation	(103.8)	(5.7)	(2.1)	(2.5)	(114.1)
Dispositions	(0.3)	—	0.4	—	0.1
Derecognition	—	—	0.7	—	0.7
Accumulated depletion and depreciation, end of period	(1,461.6)	(104.1)	(10.7)	(39.7)	(1,616.1)
Net book value, December 31, 2024	1,387.1	76.8	19.8	26.2	1,509.9
Net book value, June 30, 2025	1,644.3	75.8	18.4	24.8	1,763.3

The Company closed the sale of its Karr, Wapiti and Zama properties (the "Sold Assets") on January 31, 2025 (the "Grande Prairie Disposition"). Pursuant to the purchase and sale agreement for the Grande Prairie Disposition, consideration for the Sold Assets was \$3.325 billion cash, subject to adjustments based on an effective date of October 1, 2024, plus certain Horn River Basin properties of the acquiror (the "Purchase Price"). Paramount's calculation of final adjustments was completed in the second quarter of 2025, resulting in a Purchase Price of \$3.244 billion and a gain on sale of oil and gas assets of \$1.594 billion being recorded in respect of the Grande Prairie Disposition for the six months ended June 30, 2025. \$12.0 million of the loss on sale of oil and gas assets recorded in the second quarter of 2025 relates to finalization of adjustments to the Purchase Price.

The Grande Prairie Disposition was made pursuant to a purchase and sale agreement dated November 13, 2024 and, as a result, the assets and liabilities associated with the Grande Prairie Disposition were presented as held for sale at December 31, 2024.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

In February 2024, Paramount sold certain non-core Kaybob assets for \$45.4 million cash and the retention of a two percent no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets. The Company realized a \$14.3 million gain on sale of oil and gas assets in 2024 in connection with the transaction.

Depletion and Depreciation

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Depletion and depreciation	59.8	111.6	111.1	222.9
Change in asset retirement obligations	1.9	28.7	3.7	32.2
	61.7	140.3	114.8	255.1

For the six months ended June 30, 2025, the Company recorded a charge of \$3.7 million (June 30, 2024 – \$32.2 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. For the three and six months ended June 30, 2024, the changes mainly resulted from a reduction in the credit-adjusted risk-free rate used to discount obligations from 7.75 percent per annum to 7.0 percent per annum.

At June 30, 2025, 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, 2025	December 31, 2024
Level One Securities	473.7	439.2
Level Three Securities	101.6	124.7
	575.3	563.9

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 price. 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, 2025 included 31.3 million shares of NuVista Energy Ltd. ("NuVista Shares") (December 31, 2024 – 31.3 million NuVista Shares), which had a carrying value of \$468.2 million (December 31, 2024 – \$431.9 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.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Level Three Securities at June 30, 2025 included investments in the shares of Sultran Ltd. and other minor investments in securities not listed on a public stock exchange ("Other Investments"). At December 31, 2024, Level Three Securities included investments in the shares of Sultran Ltd., Westbrick Energy Ltd. and Other Investments. During the six months ended June 30, 2025, Paramount sold all of its shares in Westbrick Energy Ltd. for cash consideration of \$33.9 million, resulting in \$22.3 million of accumulated gains, net of tax, being reclassified from reserves to retained earnings.

For the three and six months ended June 30, 2025, the Company recorded an unrealized before tax gain of \$52.5 million and \$45.3 million, respectively, to other comprehensive income ("OCI") related to changes in the fair value estimates of its investments in securities.

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

	Six months ended June 30, 2025	Twelve months ended December 31, 2024
Investments in securities, beginning of period	563.9	540.9
Changes in fair value of Level One Securities	34.5	95.0
Changes in fair value of Level Three Securities	10.8	5.9
Changes in fair value of warrants – recorded in earnings	–	(0.1)
Acquired	–	1.2
Proceeds of disposition	(33.9)	(79.0)
Investments in securities, end of period	575.3	563.9

5. Long-Term Debt

As at	June 30, 2025	December 31, 2024
Paramount Facility ⁽¹⁾	–	173.0

(1) December 31, 2024 balance presented net of \$0.6 million in unamortized transaction costs.

Paramount Facility

On January 31, 2025, the capacity of Paramount's financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility") was adjusted to \$500 million and the maturity date was extended to January 31, 2029 in conjunction with the closing of the Grande Prairie Disposition. The Company repaid all outstanding drawings on the Paramount Facility on January 31, 2025.

At Paramount's request, the capacity of the Paramount Facility can be increased to up to \$750 million pursuant to an accordion feature in the facility, subject to incremental lender commitments and the Company achieving average quarterly production of at least 55,000 Boe/d for two consecutive fiscal quarters.

Paramount was in compliance with the financial covenants under the Paramount Facility at June 30, 2025.

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling \$4.6 million at June 30, 2025 (December 31, 2024 – \$7.5 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.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

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, which is valid to June 30, 2026. At June 30, 2025, \$33.2 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2024 – \$29.4 million).

6. Asset Retirement Obligations and Other

As at June 30, 2025	Current	Long-term	Total
Asset retirement obligations	35.9	322.5	358.4
Lease liabilities	4.0	23.5	27.5
Asset retirement obligations and other	39.9	346.0	385.9

As at December 31, 2024	Current	Long-term	Total
Asset retirement obligations	26.5	314.5	341.0
Lease liabilities	3.6	25.3	28.9
Asset retirement obligations and other	30.1	339.8	369.9

Asset Retirement Obligations

	Six months ended June 30, 2025	Twelve months ended December 31, 2024
Asset retirement obligations, beginning of period	341.0	587.3
Additions	0.6	1.6
Acquisitions	11.3	–
Change in estimates	19.3	2.3
Change in discount rate	–	48.3
Obligations settled	(25.2)	(38.1)
Dispositions	(1.7)	(16.1)
Transfer to liabilities associated with assets held for sale (see Note 3)	–	(286.7)
Accretion expense	13.1	42.4
Asset retirement obligations, end of period	358.4	341.0

Asset retirement obligations have been determined using a credit-adjusted risk-free discount rate of 7.0 percent per annum (December 31, 2024 – 7.0 percent per annum) and an inflation rate of 2.0 percent per annum (December 31, 2024 – 2.0 percent per annum).

Lease Liabilities

	Six months ended June 30, 2025	Twelve months ended December 31, 2024
Balance, beginning of period	28.9	29.2
Additions	0.7	3.6
Interest expense	0.9	2.0
Transfer to liabilities associated with assets held for sale (see Note 3)	–	(0.4)
Obligations settled	(3.0)	(5.5)
Balance, end of period	27.5	28.9

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

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, 2025, total cash principal payments made in respect of these lease liabilities were \$2.1 million (June 30, 2024 – \$2.0 million).

For the six months ended June 30, 2025, expenses related to arrangements containing variable operating costs, short-term and low value leases which have not been included in the lease liabilities were \$1.3 million (June 30, 2024 – \$1.2 million).

7. Share Capital

At June 30, 2025, 143.3 million (December 31, 2024 – 146.9 million) class A common shares of Paramount ("Common Shares") were outstanding, net of 0.3 million (December 31, 2024 – 0.4 million) Common Shares held in trust under the Company's restricted share unit ("RSU") plan.

The Company used a portion of the proceeds from the Grande Prairie Disposition to pay a special cash distribution of \$15.00 per Common Share (totaling \$2,148 million) in the first quarter of 2025 (the "Special Distribution"), comprised of a \$12.00 return of capital (totaling \$1,718 million) and a \$3.00 special dividend (totaling \$430 million).

For the six months ended June 30, 2025, the Company also paid regular monthly cash dividends totaling \$0.40 per Common Share or \$58.0 million (June 30, 2024 – \$0.80 per Common Share or \$116.2 million). In July 2025, Paramount declared a cash dividend of \$0.05 per Common Share that is payable on July 31, 2025 to shareholders of record on July 15, 2025.

In July 2025, Paramount implemented a normal course issuer bid (the "2025 NCIB") under which the Company may purchase up to 7.5 million Common Shares for cancellation. The 2025 NCIB will terminate on the earlier of July 7, 2026 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2025 NCIB are purchased. Purchases of Common Shares under the 2025 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 2025 NCIB to date.

Paramount previously implemented a normal course issuer bid in July 2024 (the "2024 NCIB"), which expired on July 7, 2025. In early February 2025, prior to the Special Distribution, Paramount purchased and cancelled 4.9 million Common Shares under the 2024 NCIB at a total cost of \$154.7 million. The difference between the total acquisition cost of these Common Shares and their average carrying value was charged to retained earnings. Retained earnings for the six months ended June 30, 2025 was also reduced by \$2.4 million in respect of the two percent Canadian federal tax on net share repurchases. The Company purchased and cancelled a total of 5.7 million Common Shares under the 2024 NCIB at a total cost of \$177.0 million.

For the six months ended June 30, 2025, Paramount issued 1.2 million Common Shares on the exercise of options to acquire Common Shares ("Paramount Options") (see Note 9).

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Net Income Per Common Share – Basic and Diluted

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Net income – basic and diluted	4.2	84.5	1,292.9	152.7
Basic – weighted average Common Shares (millions)	143.2	146.1	144.0	145.3
Dilutive effect of Paramount Options (millions)	2.5	3.4	2.6	3.8
Diluted – weighted average Common Shares (millions)	145.7	149.5	146.6	149.1
Net income per Common Share – basic (\$/share)	0.03	0.58	8.98	1.05
Net income per Common Share – diluted (\$/share)	0.03	0.57	8.82	1.02

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, 2025, 0.5 million and 1.1 million Paramount Options, respectively, were anti-dilutive (three and six months ended June 30, 2024 – 1.2 million and 4.0 million, respectively, were anti-dilutive).

8. Reserves

	Unrealized gains on cash flow hedges	Unrealized gains (losses) on securities	Contributed surplus	Total reserves
Six months ended June 30, 2025				
Balance, beginning of period	0.4	416.4	188.5	605.3
Other comprehensive income, before tax	2.5	45.3	–	47.8
Deferred tax	(0.6)	(5.3)	–	(5.9)
Reclassification of accumulated gain on securities, net of tax (see Note 4)	–	(22.3)	–	(22.3)
Share-based compensation	–	–	(5.4)	(5.4)
Paramount Options exercised	–	–	(4.2)	(4.2)
Balance, end of period	2.3	434.1	178.9	615.3

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

9. Share-Based Compensation

Paramount Options

	Six months ended June 30, 2025		Twelve months ended December 31, 2024	
	Paramount Options (millions)	Weighted average exercise price (\$/share)	Paramount Options (millions)	Weighted average exercise price (\$/share)
Balance, beginning of period	8.2	20.52	11.8	17.11
Granted	1.9	15.80	0.2	29.37
Exercised ⁽¹⁾	(1.2)	7.39	(3.4)	9.05
Surrendered for cash payment	(0.9)	4.62	—	—
Reduction in exercise price ⁽²⁾	—	(12.58)	—	—
Cancelled or forfeited	(0.4)	13.52	(0.3)	22.72
Expired	—	—	(0.1)	31.75
Balance, end of period	7.6	11.21	8.2	20.52
Options exercisable, end of period	1.5	9.05	3.1	16.90

(1) For Paramount Options exercised during the six months ended June 30, 2025, the weighted average market price of Common Shares on the dates exercised was \$26.59 per share (twelve months ended December 31, 2024 – \$29.31 per share).

(2) Represents the impact on the weighted average exercise price of all Paramount Options of reducing the exercise price of 6.4 million Paramount Options that had an exercise price of greater than \$15.00 by \$15.00 in connection with the Special Distribution.

In connection with the Special Distribution, in February 2025:

- all outstanding unvested Paramount Options with an exercise price less than \$15.00 were vested;
- 0.9 million Paramount Options were surrendered by holders in consideration for cash payments by Paramount totaling \$22.0 million, calculated as the difference between the market price of the Common Shares and the exercise price of the applicable Paramount Options surrendered; and
- the exercise price of all Paramount Options with an exercise price of greater than \$15.00 was reduced by \$15.00.

Transaction and reorganization costs for the six months ended June 30, 2025 includes \$22.0 million in respect of the cash payments made by the Company on the surrender of Paramount Options.

The weighted average remaining contractual life and exercise prices of Paramount Options outstanding as at June 30, 2025 are as follows:

Exercise Price	Paramount Options Outstanding			Paramount Options Exercisable		
	Number (millions)	Remaining contractual life (years)	Weighted average exercise price	Number (millions)	Remaining contractual life (years)	Weighted average exercise price
\$0.13 – \$6.99	1.5	1.8	1.24	0.5	1.8	1.23
\$7.00 – \$11.99	2.1	3.8	11.83	0.3	3.8	11.83
\$12.00 – \$14.99	1.9	2.9	13.48	0.6	2.8	13.48
\$15.00 – \$18.70	2.1	4.6	15.86	0.1	2.5	16.27
	7.6	3.4	11.21	1.5	2.7	9.05

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

The grant date fair value of Paramount Options and related weighted average inputs, estimated using the Black-Scholes model, are as follows:

	Options granted in 2025	Options granted in 2024
Weighted average exercise price (\$ / share)	15.80	29.37
Volatility (%)	42	34
Expected life (years)	4.0	3.7
Pre-vest annual forfeiture rate (%)	11.7	13.0
Risk-free interest rate (%)	2.6	3.6
Dividend yield (%)	3.6	5.8
Weighted average fair value of awards (\$ / option)	4.28	5.12

The expected life of Paramount Options is based on historical exercise patterns. Volatility is generally estimated based on the historical volatility in the trading price of the Common Shares over the most recent period that is commensurate with the expected life of the option and is normalized for significant transactions and other factors.

RSU Plan – Shares Held in Trust

	Six months ended June 30, 2025		Twelve months ended December 31, 2024	
	Shares (millions)		Shares (millions)	
Balance, beginning of period	0.4	11.3	0.4	3.4
Net change in vested and unvested shares	(0.1)	(6.9)	–	7.9
Balance, end of period	0.3	4.4	0.4	11.3

During the six months ended June 30, 2025, 1.3 million Common Shares were purchased under the Company's RSU plan at a total cost of \$20.2 million and 1.4 million Common Shares having a cost of \$27.1 million were released to RSU plan participants.

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	
	2025	2024	2025	2024
Income before tax	4.6	106.4	1,676.2	198.7
Effective statutory income tax rate	23.0%	23.0%	23.0%	23.0%
Expected income tax expense	1.1	24.5	385.5	45.7
Effect of:				
Share-based compensation	(0.3)	–	(0.9)	0.6
Non-deductible items and other	(0.4)	(2.6)	(1.3)	(0.3)
Income tax expense	0.4	21.9	383.3	46.0

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

The following table summarizes movements in the deferred income tax asset (liability):

	Six months ended June 30, 2025	Twelve months ended December 31, 2024
Deferred income tax asset, beginning of period	131.5	203.5
Deferred income tax expense	(383.3)	(60.9)
Deferred income tax expense included in OCI	(5.9)	(11.1)
Deferred income tax (liability) asset, end of period	(257.7)	131.5

11. Financial Instruments and Risk Management

Financial Instruments

Financial instruments at June 30, 2025 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, 2025 are as follows:

	Financial commodity contracts ⁽³⁾	Electricity swaps	Total
Six months ended June 30, 2025			
Fair value of asset, December 31, 2024	3.8	0.5	4.3
Changes in fair value – gain ⁽¹⁾	42.7	–	42.7
Changes in fair value – OCI	–	0.7	0.7
Risk management contract settlements (received) paid ⁽²⁾	(16.4)	1.8	(14.6)
Fair value of asset, June 30, 2025	30.1	3.0	33.1
Risk management asset – current	34.5	–	34.5
Risk management asset – long-term	–	4.5	4.5
Risk management asset, June 30, 2025	34.5	4.5	39.0
Risk management liability – current	–	(1.5)	(1.5)
Risk management liability – long-term	(4.4)	–	(4.4)
Risk management liability, June 30, 2025	(4.4)	(1.5)	(5.9)

(1) Changes in fair value of \$42.7 million related to financial commodity contracts is recorded as a gain on risk management contracts.

(2) Receipts by the Company on risk management contract settlements related to financial commodity contracts totaled \$16.4 million. Risk management contract settlements paid by the Company relating to electricity swap contracts are recorded in operating expense.

(3) Financial commodity contracts include an embedded derivative with a liability of \$2.5 million at June 30, 2025.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

The Company had the following risk management contracts as at June 30, 2025:

Instruments	Aggregate notional	Average price or rate	Remaining term
Financial Commodity Contracts			
<u>Oil</u>			
NYMEX WTI Swaps (Sale) ⁽¹⁾	10,000 Bbl/d	\$105.00/Bbl	July 2025 – December 2025
<u>Natural Gas</u>			
Citygate / Malin Basis Swap ⁽²⁾	10,000 MMBtu/d	Citygate less US\$0.97/MMBtu (Sell) Malin (Buy)	July 2025 – October 2028
Electricity Contracts ⁽³⁾			
Swaps (Buy)	240 MWh/d	\$71.13/MWh	July 2025 – December 2025
Swaps (Buy)	120 MWh/d	\$58.79/MWh	July 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) "Citygate" refers to Pacific Gas & Electric Citygate and "Malin" refers to Pacific Gas & Electric Malin. Pursuant to the swap transaction Paramount sells at Citygate less US\$0.97/MMBtu and buys at Malin. The transaction is financially settled with no physical delivery.

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

The Company also has an agreement to deliver between 500 Bbl/d and 1,000 Bbl/d of propane over the next four years at a delivery point in Alberta. The price received is based on the Argus Propane Monthly Far East Index less deductions for transportation, fuel and other charges.

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, 2025.

12. Revenue By Product

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Natural gas	28.9	45.6	81.4	128.0
Condensate and oil	87.7	367.7	268.3	712.6
Other natural gas liquids	6.9	20.8	21.2	44.8
Natural gas transportation assignment income	2.7	–	10.1	–
Royalty income and other revenue	1.0	9.5	12.8	10.6
Royalties	(5.7)	(66.1)	(32.4)	(128.0)
Sales of commodities purchased	43.7	84.4	153.4	139.1
	165.2	461.9	514.8	907.1

Natural gas transportation assignment income for the three and six months ended June 30, 2025 relates to proceeds realized by the Company on the assignment of a portion of its ex-Alberta natural gas transportation capacity to third parties. The assignee was responsible for the cost of the transportation assigned.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Royalty income and other revenue for the six months ended June 30, 2025 includes \$11.1 million related to a second interim payment from insurers for 2023 Alberta wildfire losses (three and six months ended June 30, 2024 includes \$10.0 million related to the first interim payment from insurers for wildfires losses). The Company has realized \$21.1 million in aggregate interim payments in respect of its 2023 Alberta wildfire losses to date and continues to advance its insurance claims process.

13. Other

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Interest income	(5.5)	(1.1)	(13.0)	(1.6)
Provisions	–	–	(0.5)	(0.5)
Dividend income	(3.1)	(7.9)	(3.6)	(8.3)
Other	1.9	(0.3)	0.3	0.6
	(6.7)	(9.3)	(16.8)	(9.8)

Dividend income for the three and six months ended June 30, 2025 includes \$3.1 million received from Sultran Ltd. (\$7.8 million in dividends were received from Sultran Ltd. for the three and six 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	
	2025	2024	2025	2024
Risk management contracts	(18.9)	0.4	(26.3)	11.1
Share-based compensation	3.2	5.8	21.7	13.3
Depletion and depreciation	61.7	140.3	114.8	255.1
Exploration and evaluation	0.3	0.1	0.3	0.1
Loss (gain) on sale of oil and gas assets	15.3	(0.3)	(1,603.8)	(15.9)
Accretion of asset retirement obligations	6.0	10.7	13.1	21.2
Deferred income tax	0.4	21.9	383.3	46.0
Other	2.2	–	2.4	1.2
	70.2	178.9	(1,094.5)	332.1

Supplemental Cash Flow Information

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Interest paid	0.5	0.4	1.6	0.9
Interest received	6.2	1.1	12.0	1.6

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Components of Cash and Cash Equivalents

As at	June 30, 2025	December 31, 2024
Cash	561.8	2.4
Cash equivalents	–	–
	561.8	2.4

Cash and cash equivalents is comprised of interest-bearing demand deposits with a number of banks. Interest earned on deposits for the three and six months ended June 30, 2025 totaled \$5.5 million and \$13.0 million, respectively (average interest rate of 3.3 percent and 3.4 percent per annum, respectively), which has been presented in other (see Note 13).

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.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

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

As at	June 30, 2025	December 31, 2024
Cash and cash equivalents	(561.8)	(2.4)
Accounts receivable ⁽¹⁾	(113.8)	(191.8)
Prepaid expenses and other	(15.2)	(17.4)
Accounts payable and accrued liabilities	189.9	227.0
Long-term debt	—	173.0
Net (cash) debt	(500.9)	188.4

(1) December 31, 2024 balance excludes \$0.8 million of accounts receivable relating to lease incentives.

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	
	2025	2024	2025	2024
Cash from operating activities	39.8	220.5	189.7	421.9
Change in non-cash working capital	31.6	40.6	(16.5)	44.1
Geological and geophysical expense	6.4	2.8	8.2	7.5
Asset retirement obligations settled	3.0	2.3	25.2	18.8
Closure costs	—	—	—	—
Provisions	—	—	(0.5)	(0.5)
Settlements	—	—	—	—
Transaction and reorganization costs	0.7	—	24.3	—
Adjusted funds flow	81.5	266.2	230.4	491.8

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. When the Company is not in a net debt position, the ratio of net debt to adjusted funds flow is not considered meaningful.

As at	June 30, 2025	December 31, 2024
Net (cash) debt	(500.9)	188.4
Adjusted funds flow, trailing four quarters	668.9	930.3
Net debt to adjusted funds flow ratio	NM ⁽¹⁾	0.2x

(1) NM means not meaningful.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Free Cash Flow

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

The calculation of free cash flow is as follows:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Cash from operating activities	39.8	220.5	189.7	421.9
Change in non-cash working capital	31.6	40.6	(16.5)	44.1
Geological and geophysical expense	6.4	2.8	8.2	7.5
Asset retirement obligations settled	3.0	2.3	25.2	18.8
Closure costs	—	—	—	—
Provisions	—	—	(0.5)	(0.5)
Settlements	—	—	—	—
Transaction and reorganization costs	0.7	—	24.3	—
Adjusted funds flow	81.5	266.2	230.4	491.8
Capital expenditures	(157.6)	(240.8)	(373.3)	(454.7)
Geological and geophysical expense	(6.4)	(2.8)	(8.2)	(7.5)
Asset retirement obligations settled	(3.0)	(2.3)	(25.2)	(18.8)
Free cash flow	(85.5)	20.3	(176.3)	10.8

16. Commitments and Contingencies

Paramount had the following commitments at June 30, 2025:

	Within one year	After one year but not more than five years	More than five years
Petroleum and natural gas transportation and processing commitments	64.1	397.4	766.3
Other commitments	7.5	3.9	—
	71.6	401.3	766.3

In connection with the Grande Prairie Disposition, the acquiror assumed Paramount's processing and transportation commitments related to the Sold Assets.

Commitments – Physical Contracts

The Company had the following fixed price and basis differential physical contracts at June 30, 2025:

	Volume	Location	Average price	Remaining Term
Natural gas (Sale)	19,327 GJ/d	Dawn	AEEO + \$2.06/GJ	July 2025 – October 2025
Natural gas basis swap ⁽¹⁾	38,654 GJ/d	AEEO / Dawn	\$1.59/GJ	November 2025 – October 2027

(1) Paramount sells at Dawn at a fixed price of \$4.51/GJ and buys at AEEO at a fixed price of \$2.92/GJ resulting in a net amount of \$1.59/GJ.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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

Contingencies

Pipeline Release

Paramount is responding to a release of liquids that it believes to have originated from a Company pipeline located approximately 20 kilometers southeast of Fox Creek, Alberta. The response was initiated by Paramount after a routine fly-over inspection of the pipeline right of way on July 3, 2025. Paramount has notified impacted stakeholders and its insurers and commenced clean-up operations in co-operation with applicable regulatory authorities. The Company has incurred approximately \$2 million to date responding to the release. The ultimate financial impact of the release on Paramount will be dependent on a number of factors that have yet to be determined, including the extent of required remediation activities.

Proceedings and Legal Actions

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

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
Rubellite Energy Corp.
Calgary, Alberta

S.C. Fildes
Independent Businessman
Calgary, Alberta

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

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")