



2025 Annual Results

Paramount Resources Ltd. Announces Fourth Quarter and Annual 2025 Results, Increased 2026 Production Guidance and Expanded Land Positions

Calgary, Alberta – March 3, 2026

Paramount Resources Ltd. ("Paramount" or the "Company") (TSX:POU) is pleased to announce its fourth quarter and annual 2025 financial and operating results, highlighted by fourth quarter sales volumes of 46,973 Boe/d (53% liquids) and adjusted funds flow of \$140 million, annual capital expenditures of \$789 million and strong reserves growth. The Company is also pleased to announce that it is increasing 2026 production guidance due to the performance of its Willesden Green Duvernay development. In addition, the Company has significantly expanded its land positions at Willesden Green and at its Sinclair Montney development.

2025 was a transformative year for the Company, marked by the following significant achievements and highlights:

- Closing the sale of the Karr, Wapiti and Zama properties on January 31 for cash proceeds of \$3.243 billion, after adjustments (the "Grande Prairie Disposition");
- Bringing the first phase of the new Alhambra Plant at Willesden Green onstream in July, ahead of schedule and below budget, and sanctioning the second phase of the plant that is now expected to be brought onstream by early in the third quarter of 2026;
- Sanctioning the Sinclair Montney natural gas development, planned to be onstream in the fourth quarter of 2027, which is being designed to add over 300 MMcf/d of natural gas sales volumes;
- Growing sales volumes from approximately 30,000 Boe/d (39% liquids) immediately following the Grande Prairie Disposition to approximately 47,000 Boe/d (53% liquids) in the fourth quarter of 2025;
- Increasing December 31, 2025 proved developed producing ("PDP") reserves by 46%, total proved ("TP") reserves by 43% and proved plus probable ("P+P") reserves by 115%, after adjusting for the impacts of the Grande Prairie Disposition;
- Providing \$2.4 billion in shareholder returns through a \$2.15 billion special cash distribution of \$15.00 per class A common share ("Common Share") in February, \$101 million in regular monthly dividends totaling \$0.70 per Common Share and \$155 million in normal course issuer bid purchases of 4.9 million Common Shares;
- Selling the Company's remaining investment in NuVista Energy for cash proceeds of \$519 million;
- Expanding the Company's core land positions at Willesden Green by approximately 20% to over 500 net sections (320,000 acres) and at Sinclair by approximately 30% to over 220 net sections (140,000 acres); and

- Exiting the year with a strong liquidity position to execute on its Willesden Green Duvernay and Sinclair Montney developments, including \$730 million of cash and cash equivalents and undrawn credit facilities totaling \$750 million.

OPERATIONAL AND FINANCIAL HIGHLIGHTS

- Fourth quarter sales volumes were 46,973 Boe/d (53% liquids), a 30% increase over third quarter sales volumes. Annual sales volumes were 42,238 Boe/d (48% liquids), exceeding the upper end of the Company's guidance range of 41,000 to 42,000 Boe/d (47% liquids) with a higher than forecast liquids contribution. ⁽¹⁾
- At Willesden Green, the ramp-up of production through the Company's wholly-owned and operated Alhambra Plant continued, with average sales volumes growing to 25,752 Boe/d (62% liquids) in the quarter. The Company continued to achieve high runtime at the Alhambra Plant and strong Duvernay well performance in the fourth quarter.
 - Gross 150-day peak production from the Company's first ten Duvernay wells brought onstream through the Alhambra Plant between late July and early September 2025 averaged approximately 1,250 Boe/d (61% liquids) per well. The four wells with the longest production history have averaged gross 210-day peak production of approximately 1,225 Boe/d (56% liquids) per well, reflecting continued shallow declines. ⁽²⁾
 - Willesden Green sales volumes have grown from approximately 7,000 Boe/d (53% liquids) in January 2025 to average over 29,000 Boe/d (62% liquids) in December 2025.
- At Kaybob, fourth quarter sales volumes were 20,387 Boe/d (41% liquids) and annual sales volumes were 21,216 Boe/d (40% liquids). Kaybob annual sales volumes were 5% lower than 2024.
- Capital expenditures totaled \$789 million in 2025, below the low end of the Company's guidance range of \$795 million to \$825 million. Paramount's 2025 capital program was largely focused on its Willesden Green Duvernay development, with lesser amounts directed to the Company's Kaybob North Duvernay and Sinclair Montney developments. Key activities included:
 - drilling 40 (40.0 net) wells and bringing 36 (36.0 net) wells on production;
 - completing the construction of the first phase of the Alhambra Plant and advancing construction of the second phase; and
 - advancing design work and purchasing long-lead items for the Sinclair Plant.
- Cash from operating activities was \$185 million (\$1.29 per basic share) in the fourth quarter and \$417 million (\$2.90 per basic share) in 2025. ⁽³⁾
- Adjusted funds flow was \$140 million (\$0.97 per basic share) in the fourth quarter and \$467 million (\$3.25 per basic share) in 2025.

(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) Gross 150-day and 210-day peak production is the highest daily average production rate for each well, measured at the wellhead, over a rolling 150-day period or 210-day period, as applicable, excluding days when the well did not produce. The production rates and volumes stated are over a short period of time and, therefore, are not necessarily indicative of average daily production, long-term performance or of ultimate recovery from the wells. Natural gas sales volumes were lower by approximately 9% and liquids sales volumes were lower by approximately 14% due to shrinkage. In addition, certain liquids entrained in the natural gas stream are only recovered once processed and therefore final sales volumes cannot be imputed from wellhead volumes and shrinkage estimates alone.

(3) 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, free cash flow per basic share and operating expense per Boe are supplementary financial measures. Refer to the "Specified Financial Measures" section for more information on these measures.

- Free cash flow was \$(85) million (\$(0.59) per basic share) in the fourth quarter and \$(386) million (\$(2.68) per basic share) in 2025.
- With approximately 71,000 Mcf/d of Paramount's natural gas sales volumes priced at diversified markets outside of AECO in 2025, Paramount's average realized natural gas price in 2025 was \$3.02/Mcf. In 2026, approximately 58% of the Company's forecast natural gas sales volumes are expected to be priced at diversified markets outside of AECO, including at Dawn, Malin and Emerson.
- Operating expenses were \$9.84/Boe in the fourth quarter and \$11.66/Boe in 2025. Per-unit operating expenses continued to decrease in the fourth quarter as production volumes ramped-up in Willesden Green. Willesden Green operating expenses averaged \$4.71/Boe in the fourth quarter and \$6.26/Boe in 2025.
- Asset retirement obligation settlements totaled \$39 million in 2025, which included the abandonment of 26 wells, decommissioning of 14 pipeline segments and reclamation of 61 sites.
- In December 2025, the Company secured a five-year \$250 million non-revolving, non-amortizing, delayed draw term loan facility with Export Development Canada and extended the maturity date of its \$500 million financial covenant-based senior secured revolving bank credit facility to December 15, 2029.

2026 GUIDANCE

The Company is increasing its 2026 annual sales volumes guidance by 1,000 Boe/d to between 46,000 Boe/d and 51,000 Boe/d (50% liquids):

- First half 2026 sales volumes are now expected to average between 39,000 Boe/d and 44,000 Boe/d (47% liquids), a 2,000 Boe/d increase from prior guidance. The increase reflects higher assumed reliability of the Alhambra Plant based on performance to date as well as stronger well productivity. Second quarter sales volumes continue to be expected to be lower than first quarter volumes due to the timing of new well production, as well as a planned one-week outage at the Alhambra Plant in the second quarter to accommodate the expansion of the facility.
- Third quarter 2026 average sales volumes are expected to be between 46,500 Boe/d and 51,500 Boe/d (51% liquids) as the second phase of the Alhambra Plant comes onstream. A one-month outage at the Leafland Plant is planned starting in July as the interconnection to the Alhambra Plant is put into service.
- Fourth quarter 2026 average sales volumes are expected to be between 59,000 Boe/d and 64,000 Boe/d (53% liquids).

Paramount is reaffirming its 2026 guidance for capital expenditures of between \$1,050 million and \$1,150 million and abandonment and reclamation expenditures of \$35 million. With cash and cash equivalents of \$730 million and \$750 million in undrawn credit facilities at December 31, 2025, Paramount is in a strong financial position to advance its planned Willesden Green and Sinclair developments. The Company remains committed to prudently managing its capital resources and has the flexibility to adjust its capital expenditure plans depending on commodity prices and other factors.

CAPITAL AND SALES VOLUMES OUTLOOK

Paramount continues to expect midpoint annual capital expenditures of approximately \$1,100 million for each of 2026 and 2027, which will mostly be directed to the Willesden Green Duvernay and Sinclair Montney developments. The Company continues to expect its sales volumes to more than double to over 100,000 Boe/d (35% liquids) by the end of 2027.

| Outlook | 2026 | 2027 |
|-------------------------------------|-------------------------------------|--|
| Capital expenditures (midpoint) | \$1,100 million | \$1,100 million |
| Willesden Green | \$630 million | \$440 million |
| Sinclair | \$360 million | \$440 million |
| Sales volumes (annual) Exit rate | 46,000 – 51,000 Boe/d (50% liquids) | 60,000 – 65,000 Boe/d (50% liquids) > 100,000 Boe/d (35% liquids) |

RESERVES HIGHLIGHTS ⁽¹⁾

Paramount added substantial reserves in 2025, driven mainly by its developments at Willesden Green and Sinclair.

After adjusting for the impacts of the Grande Prairie Disposition:

- PDP reserves were up 46% to 59 MMBoe, TP reserves were up 43% to 200 MMBoe and P+P reserves were up 115% to 522 MMBoe.
- Paramount's reserves replacement ratios were 2.4x for PDP reserves, 5.2x for TP reserves and 21.7x for P+P reserves: ⁽²⁾
 - additions to TP liquids reserves represented 571% of liquids production and to P+P liquids reserves represented 920% of liquids production; and
 - additions to TP natural gas reserves represented 479% of natural gas production and to P+P natural gas reserves represented 3,314% of natural gas production.
- 2025 finding and development ("F&D") costs were: ⁽³⁾
 - \$24.42/Boe for PDP reserves (1.2x recycle ratio);
 - \$24.15/Boe for TP reserves (1.2x recycle ratio); and
 - \$11.67/Boe for P+P reserves (2.5x recycle ratio).

The F&D cost calculations include 2025 capital expenditures and changes in future development costs related to the buildout of processing facilities and associated field infrastructure at Willesden Green and Sinclair of an aggregate of approximately \$200 million (\$2.80/Boe) on a TP basis and approximately \$660 million (\$2.30/Boe) on a P+P basis. While the inclusion of these costs impacts the calculation of F&D costs in the near term, the Company will benefit from substantially reduced operating costs and operational

(1) Readers are referred to the advisories concerning "Reserves Data". All reserves in this press release are gross reserves based on an evaluation prepared by McDaniel & Associates Consultants Ltd. ("McDaniel") dated March 2, 2026 and effective December 31, 2025 (the "McDaniel Report"). Estimates of net present value of future net revenue of reserves do not represent fair market value. Readers should refer to the Company's annual information form for the year ended December 31, 2025, which is available on SEDAR+ at www.sedarplus.ca or on Paramount's website at www.paramountres.com, for a complete description of the McDaniel Report (including reserves by the specific product types of shale gas, conventional natural gas, NGLs, tight oil and light and medium crude oil) and the material assumptions, limitations and risk factors pertaining thereto.

(2) See "Oil and Gas Measures and Definitions" in the Advisories section of this document for a description of the calculation and use of reserves replacement ratio.

(3) Finding and development costs and recycle ratio are non-GAAP ratios. Refer to the "Specified Financial Measures" section and "Oil and Gas Measures and Definitions" in the Advisories section for more information on these measures and on the related non-GAAP financial measure of F&D capital.

control over the lifespan of the properties from the wholly-owned facilities and infrastructure that it is constructing compared to reliance on third-party natural gas processing facilities.

The Company's reserve life index, calculated excluding the production associated with the assets sold in the Grande Prairie Disposition, is 4.5 years for PDP, 15.2 years for TP and 39.5 years for P+P reserves. ⁽¹⁾

The following table summarizes Paramount's gross PDP, TP and P+P reserves at December 31, 2025.

| | Proved Developed Producing | Total Proved | Total Proved Plus Probable |
|---------------------|----------------------------------|----------------|-------------------------------|
| Natural gas (Bcf) | 202 | 611 | 2,094 |
| NGLs (MBbl) | 23,492 | 95,890 | 168,336 |
| Crude oil (MBbl) | 1,988 | 2,290 | 4,243 |
| Total (MBoe) | 59,151 | 199,989 | 521,518 |
| % Liquids | 43% | 49% | 33% |

Columns may not add due to rounding

The following table summarizes the Company's gross proved and proved plus probable developed and undeveloped reserves at December 31, 2025 and the net present value of future net revenue of these reserves before income taxes, undiscounted and discounted at 10%.

| | Proved | | | Proved plus Probable | | |
|--------------|-----------------------------|---|--------------|-----------------------------|---|--------------|
| | Gross Reserves (MBoe) | Future Net Revenue NPV Before Tax (\$ millions) | | Gross Reserves (MBoe) | Future Net Revenue NPV Before Tax (\$ millions) | |
| | | 0% | 10% | | 0% | 10% |
| Developed | 70,266 | 357 | 729 | 96,568 | 929 | 972 |
| Undeveloped | 129,723 | 2,485 | 950 | 424,951 | 7,401 | 2,278 |
| Total | 199,989 | 2,843 | 1,679 | 521,518 | 8,330 | 3,250 |

Columns may not add due to rounding

REVIEW OF OPERATIONS

WILLESDEN GREEN

The Willesden Green Duvernay development is located near Rocky Mountain House, Alberta where the Company holds over 320,000 net acres of Duvernay rights.

Paramount produces liquids-rich natural gas at Willesden Green which is handled at its wholly-owned and operated Alhambra Plant and its majority-owned and operated Leafland Plant, with minor volumes being handled at third-party processing facilities.

Construction of the first phase of the Alhambra Plant was substantially completed in July 2025 and first sales volumes were achieved in late-July. The first phase of the Alhambra Plant was designed to provide raw handling capacity of approximately 10,000 Bbl/d of liquids and 50 MMcf/d of natural gas. The Alhambra Plant is designed to be capable of expansion to a total raw handling capacity of 30,000 Bbl/d of liquids and 150 MMcf/d of natural gas through the construction of two additional phases. Onsite construction of the second phase of the Alhambra Plant commenced in the third quarter of 2025.

(1) See "Oil and Gas Measures and Definitions" in the Advisories section of this document for a description of the calculation and use of reserve life index.

The Leafland Plant has raw handling capacity of approximately 6,000 Bbl/d of liquids and 22 MMcf/d of natural gas.

Capital expenditures at Willesden Green totaled \$570 million in 2025. Development activities were focused on the buildout of area infrastructure and the drilling of wells to fill the associated expanded processing capacity. Infrastructure development was focused on the Alhambra Plant where construction of the first phase was completed and onsite work for the second phase commenced. In addition, the Company began construction of water recycling facilities as well as a pipeline interconnect between the Leafland and Alhambra Plants. Duvernay well development activities in 2025 included the drilling of 27 (27.0 net) wells and the bringing on production of 22 (22.0 net) wells.

Willesden Green sales volumes averaged 14,161 Boe/d (60% liquids) in 2025 compared to 7,537 Boe/d (53% liquids) in 2024. Sales volumes were higher in 2025 due to new Duvernay well production that began flowing through the Alhambra Plant in late-July. The Company achieved record quarterly sales volumes at Willesden Green of 25,752 Boe/d (62% liquids) in the fourth quarter as additional Duvernay wells were brought on production.

Runtime at the Alhambra Plant has been exceptional in the seven months since start-up. In addition, recent capacity tests of the Alhambra Plant's raw liquids handling processes have demonstrated a functional limit of approximately 10,900 Bbl/d compared to the 10,000 Bbl/d original design specification. The Company plans to conduct tests of the plant's raw natural gas handling capacity in 2026 as plant throughput gradually shifts to include a higher percentage of natural gas.

Better than expected performance from the 16 wells flowing through the Alhambra Plant also significantly contributed to higher production. These wells have been and continue to be choked as part of Paramount's well drawdown strategy. This approach has resulted in shallower condensate production declines and higher initial CGRs when compared to Paramount's earlier Willesden Green Duvernay wells. ⁽¹⁾ The strategy also maximizes condensate processing utilization while avoiding curtailment due to prematurely reaching natural gas capacity constraints.

Gross 150-day peak production from the Company's first ten Duvernay wells brought onstream through the Alhambra Plant between late July and early September 2025 averaged approximately 1,250 Boe/d (61% liquids) per well. The four wells with the longest production history have averaged gross 210-day peak production of approximately 1,225 Boe/d (56% liquids) per well, reflecting continued shallow declines. The six-well Duvernay pad that was brought onstream in the fourth quarter of 2025 is exhibiting similar performance. Paramount continues to evaluate new well performance and will incorporate its findings into future development plans as additional data is obtained. ⁽²⁾

The commissioning of Paramount's water recycling facility at the Alhambra Plant has commenced and is ongoing. Once completed, the Company will begin to redirect treated produced water to engineered containment ponds allowing it to pump recycled water to well sites for use in its completion operations, significantly reducing the amount of fresh water required for completion activities, lowering well capital costs and reducing operating costs associated with water disposal.

The expansion of the Alhambra Plant, which is set to double its raw handling capacity, is progressing well. Most mechanical packages have been received and on-site electrical and instrumentation work is well underway. The Company also continues to make good progress on the construction of the pipeline

(1) CGR means condensate to gas ratio and is calculated by dividing raw wellhead liquids volumes by raw wellhead natural gas volumes. See "Oil and Gas Measures and Definitions" in the Advisories section.

(2) Gross 150-day and 210-day peak production is the highest daily average production rate for each well, measured at the wellhead, over a rolling 150-day period or 210-day period, as applicable, excluding days when the well did not produce. The production rates and volumes stated are over a short period of time and, therefore, are not necessarily indicative of average daily production, long-term performance or of ultimate recovery from the wells. Natural gas sales volumes were lower by approximately 9% and liquids sales volumes were lower by approximately 14% due to shrinkage. In addition, certain liquids entrained in the natural gas stream are only recovered once processed and therefore final sales volumes cannot be imputed from wellhead volumes and shrinkage estimates alone.

connecting the Alhambra and Leafland Plants and preparations to expand inlet compression at the Leafland Plant are ongoing. Combined, these activities will enable the Company to optimize the flow of raw production and the utilization of processing capacities across the field. The Company now expects start-up of the second phase of the Alhambra Plant by early in the third quarter of 2026.

Paramount anticipates 2026 midpoint capital expenditures of approximately \$630 million at Willesden Green, of which approximately two-thirds is expected to be incurred in the first half of the year for facility expansion activities and drilling, completion and tie-in activities to fill the expanded capacity. The Company continues to expect a one-week outage at the Alhambra Plant in the second quarter to accommodate the expansion of the facility. A one-month outage at the Leafland Plant is planned starting in July as the interconnection to the Alhambra Plant is put into service.

In 2026, Paramount plans to drill 29 (29.0 net) Duvernay wells and complete and bring on production 26 (26.0 net) Duvernay wells at Willesden Green. Five wells are expected to be brought onstream in the first half of the year while the remaining 21 wells are anticipated to be brought onstream in the second half of the year as additional processing capacity is made available through the start-up of the second phase of the Alhambra Plant.

Paramount has not yet sanctioned the third phase expansion of the Alhambra Plant, which would add an incremental planned 50 MMcf/d of raw gas handling and 10,000 Bbl/d of raw liquids handling capacity. Natural gas and liquids sales egress for the third phase remains contracted for the fourth quarter of 2029.

To date, the Company has targeted a plateau production level at Willesden Green of approximately 50,000 Boe/d that can be sustained for a period of over 20 years. The recent substantial additions to the Willesden Green land position will enable Paramount to further increase this targeted plateau production level.

SINCLAIR

Paramount's Sinclair Montney development is located west of Grande Prairie Alberta where the Company holds over 140,000 net acres of contiguous Montney rights.

The Sinclair development is a high-rate, low-cost natural gas project that was sanctioned by the Company in the fourth quarter of 2025. Production will be processed at the Sinclair Plant, which is being designed to handle up to 400 MMcf/d of raw gas production and will be constructed in 2026 and 2027. The Company has contracted 335 MMcf/d of firm service sales egress commencing in the fourth quarter of 2027 to coincide with the planned start-up of the Sinclair Plant.

Capital expenditures at Sinclair totaled \$65 million in 2025 and were focused on well appraisals, plant engineering and design and the ordering of long-lead items, as well as regulatory and other activities that informed the decision to sanction the Sinclair Montney development. In 2025, Paramount completed and flow-tested two (2.0 net) Montney appraisal wells and drilled two (2.0 net) additional Montney appraisal wells.

The Company anticipates 2026 midpoint capital expenditures of approximately \$360 million at Sinclair. Activities in 2026 will include flow-testing the two (2.0 net) Montney appraisal wells that were drilled in late-2025, procuring equipment and advancing construction activities related to the Sinclair Plant and other area infrastructure and drilling 15 (15.0 net) Montney wells. Completion and tie-in activities are planned to commence in 2027.

KAYBOB

The Company's Kaybob properties are located in the greater Kaybob area near Fox Creek, Alberta and include the Kaybob North Duvernay development and other natural gas and oil producing properties. Paramount's Kaybob land holdings include approximately 110,000 net acres of Duvernay rights and approximately 180,000 net acres of Montney rights. The Company owns and operates extensive processing and gathering infrastructure in the area.

Capital expenditures at Kaybob totaled \$121 million in 2025 and were focused on the Kaybob North Duvernay development. Development activities included the drilling of eight (8.0 net) Duvernay wells and the bringing on production of nine (9.0 net) Duvernay wells at Kaybob North.

Kaybob sales volumes averaged 21,216 Boe/d (40% liquids) in 2025 compared to 22,404 Boe/d (41% liquids) in 2024. The Company anticipates maintaining average production at Kaybob of between 19,000 Boe/d and 20,000 Boe/d (38% liquids) through to 2028.

In 2026, the Company plans to drill two (2.0 net) Duvernay wells and bring on production three (3.0 net) Duvernay wells that were drilled last year. Paramount also plans to drill and bring two (2.0 net) Montney oil wells on production.

OTHER PROPERTIES AND LAND POSITION

Paramount continues to hold material land positions with large-scale future development potential, including:

- 1.3 million net acres of land in Alberta that are prospective for cold flow heavy oil and in-situ thermal oil recovery, including approximately 300,000 net acres with Clearwater and Bluesky cold flow heavy oil potential and approximately 70,000 net acres with thermal oil potential at the Company's Hoole Grand Rapids property;
- shale gas properties in northeast British Columbia in the Horn River Basin, where the Company holds approximately 110,000 net acres of Muskwa rights, and in the Liard Basin, where the Company holds approximately 195,000 net acres of Besa River rights; and
- approximately 170,000 net acres of undeveloped land in the Mackenzie Delta and Central Mackenzie in the Northwest Territories prospective for natural gas and oil production.

In addition to minor planned exploration and development activities at its northeast Alberta heavy oil properties in 2026, the Company continues to evaluate opportunities within its portfolio that have the potential for scalable and highly economic development in the medium and long-term term.

LAND

Paramount's total land position as at December 31, 2025 is summarized below.

| (thousands of acres) | Gross ⁽¹⁾ | Net ⁽²⁾ |
|-------------------------------|----------------------|--------------------|
| Acreage assigned reserves | 852 | 704 |
| Acreage not assigned reserves | 3,363 | 2,349 |
| Total | 4,215 | 3,053 |

(1) Gross acres means the total acreage in which Paramount has an interest. Gross acreage is calculated only once per lease or license of petroleum and natural gas rights ("Lease") regardless of whether or not Paramount holds a working and/or royalty interest, or whether or not the Lease includes multiple prospective formations. If Paramount holds interests in different formations beneath the same surface location pursuant to separate Leases, the acreage set out in each Lease is counted.

(2) Net acres means gross acres multiplied by Paramount's working interest therein.

HEDGING & GAS MARKET DIVERSIFICATION

HEDGING

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

| Instruments | Aggregate amount / notional | Average price or rate ⁽¹⁾ | Remaining term |
|--|-----------------------------|--|---------------------------------|
| Natural Gas | | | |
| Citygate / Malin Basis Swap ⁽²⁾ | 10,000 MMBtu/d | Citygate less US\$0.97/MMBtu (Sell) Malin (Buy) | March 2026 – October 2028 |
| Foreign Currency Exchange | | | |
| Average Rate Forward | US\$10MM/Month | 1.3810 CAD\$ / US\$ ⁽¹⁾ | March 2026 – December 2026 |
| Average Rate Forward | US\$10MM/Month | 1.3680 CAD\$ / US\$ ⁽¹⁾ | January 2027 – December 2027 |

(1) Average price is calculated using a weighted average of notional volumes and prices. Foreign currency exchange average rate forward contracts are settled monthly against the average of the CAD\$/US\$ noon spot rate on each applicable day in that month.

(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.

GAS MARKET DIVERSIFICATION

With the natural gas market diversification contracts currently in place, approximately 58% of the Company's forecast natural gas sales volumes for 2026 will benefit from exposure to markets outside of AECO.

MARCH DIVIDEND

Paramount's Board of Directors has declared a cash dividend of \$0.05 per Common Share that will be payable on March 31, 2026 to shareholders of record on March 16, 2026. The dividend will be designated as an "eligible dividend" for Canadian income tax purposes.

ANNUAL GENERAL MEETING

Paramount will hold its annual general meeting of shareholders on Tuesday, May 12, 2026 at 10:00 a.m. (Mountain Time) in the Doulton Room at Bankers Hall Conference Centre, 400, 315 - 8th Avenue S.W., Calgary, Alberta.

COMPLETE ANNUAL RESULTS

Paramount's: (i) complete annual results, including the Company's audited consolidated financial statements as at and for the year ended December 31, 2025 (the "Consolidated Financial Statements") and the accompanying management's discussion and analysis (the "MD&A"); and (ii) 2025 annual information form, which contains additional important information concerning the Company's reserves, properties and operations, 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.

ABOUT PARAMOUNT

Paramount is an independent, publicly traded 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. 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".

For further information, please contact:

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FINANCIAL AND OPERATING RESULTS ⁽¹⁾

| (\$ millions, except as noted) | Three months ended December 31 | | | | Year ended December 31 | | | |
|---|--------------------------------|-------------------------|---------|-------------------------|------------------------|-------------------------|---------|-------------------------|
| | 2025 | | 2024 | | 2025 | | 2024 | |
| Net income (loss) | (1.9) | | 87.4 | | 1,288.7 | | 335.9 | |
| per share – basic (\$/share) | (0.01) | | 0.60 | | 8.96 | | 2.30 | |
| per share – diluted (\$/share) | (0.01) | | 0.59 | | 8.78 | | 2.25 | |
| Cash from operating activities | 185.4 | | 187.7 | | 417.3 | | 815.3 | |
| per share – basic (\$/share) | 1.29 | | 1.28 | | 2.90 | | 5.58 | |
| per share – diluted (\$/share) | 1.29 | | 1.26 | | 2.84 | | 5.46 | |
| Adjusted funds flow | 140.1 | | 237.8 | | 467.2 | | 930.3 | |
| per share – basic (\$/share) | 0.97 | | 1.62 | | 3.25 | | 6.37 | |
| per share – diluted (\$/share) | 0.97 | | 1.59 | | 3.18 | | 6.24 | |
| Free cash flow | (84.6) | | 52.8 | | (385.5) | | 37.3 | |
| per share – basic (\$/share) | (0.59) | | 0.36 | | (2.68) | | 0.25 | |
| per share – diluted (\$/share) | (0.59) | | 0.35 | | (2.63) | | 0.25 | |
| Total assets | | | | | 3,587.2 | | 4,757.5 | |
| Investments in securities | | | | | 137.3 | | 563.9 | |
| Long-term debt | | | | | – | | 173.0 | |
| Net (cash) debt | | | | | (672.8) | | 188.4 | |
| Common shares outstanding (millions) ⁽²⁾ | | | | | 144.2 | | 146.9 | |
| Sales volumes ⁽³⁾ | | | | | | | | |
| Natural gas (MMcf/d) | 133.1 | | 317.3 | | 131.9 | | 306.8 | |
| Condensate and oil (Bbl/d) | 19,472 | | 42,835 | | 16,402 | | 40,432 | |
| Other NGLs (Bbl/d) | 5,318 | | 6,753 | | 3,853 | | 6,920 | |
| Total (Boe/d) | 46,973 | | 102,477 | | 42,238 | | 98,490 | |
| % liquids | 53% | | 48% | | 48% | | 48% | |
| Willesden Green (Boe/d) | 25,752 | | 8,488 | | 14,161 | | 7,537 | |
| Kaybob (Boe/d) | 20,387 | | 22,441 | | 21,216 | | 22,404 | |
| Other (Boe/d) | 834 | | 484 | | 770 | | 1,226 | |
| Sold Assets (Boe/d) ⁽⁴⁾ | – | | 71,064 | | 6,091 | | 67,323 | |
| Total (Boe/d) | 46,973 | | 102,477 | | 42,238 | | 98,490 | |
| Netback | | (\$/Boe) ⁽⁵⁾ | | (\$/Boe) ⁽⁵⁾ | | (\$/Boe) ⁽⁵⁾ | | (\$/Boe) ⁽⁵⁾ |
| Natural gas revenue | 43.8 | 3.58 | 58.0 | 1.99 | 145.5 | 3.02 | 223.3 | 1.99 |
| Condensate and oil revenue | 137.3 | 76.66 | 379.4 | 96.26 | 511.3 | 85.40 | 1,434.9 | 96.96 |
| Other NGLs revenue | 13.3 | 27.15 | 21.3 | 34.32 | 42.8 | 30.46 | 89.6 | 35.37 |
| Natural gas transportation assignment income ⁽⁶⁾ | 4.5 | 0.37 | 0.9 | 0.03 | 18.3 | 0.38 | 0.9 | 0.01 |
| Royalty income and other revenue ⁽⁶⁾ | (0.4) | – | (0.3) | – | 18.5 | – | 11.5 | – |
| Petroleum and natural gas sales | 198.5 | 45.92 | 459.3 | 48.72 | 736.4 | 47.77 | 1,760.2 | 48.83 |
| Royalties | (11.3) | (2.61) | (48.5) | (5.14) | (51.0) | (3.31) | (222.8) | (6.18) |
| Operating expense | (42.5) | (9.84) | (123.0) | (13.05) | (179.8) | (11.66) | (473.9) | (13.15) |
| Transportation and NGLs processing | (20.8) | (4.81) | (38.1) | (4.04) | (68.9) | (4.47) | (135.6) | (3.76) |
| Sales of commodities purchased ⁽⁷⁾ | 72.7 | 16.82 | 98.7 | 10.46 | 280.3 | 18.18 | 317.3 | 8.80 |
| Commodities purchased ⁽⁷⁾ | (71.6) | (16.56) | (97.7) | (10.36) | (275.2) | (17.85) | (312.0) | (8.65) |
| Netback | 125.0 | 28.92 | 250.7 | 26.59 | 441.8 | 28.66 | 933.2 | 25.89 |
| Risk management contract settlements | 20.4 | 4.73 | (1.5) | (0.16) | 50.8 | 3.30 | 36.4 | 1.01 |
| Netback including risk management contract settlements | 145.4 | 33.65 | 249.2 | 26.43 | 492.6 | 31.96 | 969.6 | 26.90 |
| Capital expenditures | | | | | | | | |
| Willesden Green | 158.3 | | 76.7 | | 569.6 | | 233.5 | |
| Sinclair | 35.0 | | 13.9 | | 64.9 | | 14.5 | |
| Kaybob | 20.8 | | 18.8 | | 121.3 | | 172.6 | |
| Fox Drilling | 2.2 | | 0.9 | | 8.5 | | 8.4 | |
| Corporate and other ⁽⁸⁾ | (7.7) | | 4.7 | | 8.2 | | (1.4) | |
| Sold Assets ⁽⁴⁾ | – | | 55.8 | | 16.0 | | 414.6 | |
| Total | 208.6 | | 170.8 | | 788.5 | | 842.2 | |
| Asset retirement obligations settled | 9.4 | | 11.9 | | 39.0 | | 38.1 | |

(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 (loss), 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 cash bonus and restricted share unit plan (millions): 2025: 0.2 million, 2024: 0.4 million.

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

(4) "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 relates to proceeds realized by the Company on the assignment of a portion of its ex-Alberta natural gas transportation capacity to third parties. In 2025, Paramount's insurance claims for 2023 Alberta wildfire business interruption losses were finalized, with an aggregate claim of \$26.8 million being agreed by insurers (the "Wildfire Claim"). Royalty income and other revenue in 2025 includes \$16.8 million (2024 – \$10.0 million) relating to the Wildfire Claim. These amounts were not allocated to individual properties.

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

(8) Includes transfers of amounts held in Corporate to and from properties.

PRODUCT TYPE INFORMATION

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

| | Annual | | | | | | | |
|------------------------------------|-------------------------------|---------------|-----------------|--------------|---------------|---------------|------------------|--------------|
| | Total Company by Product Type | | Willesden Green | | Kaybob | | Other Properties | |
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Shale gas (MMcf/d) | 90.4 | 257.5 | 31.0 | 17.8 | 38.4 | 33.5 | 2.0 | 4.8 |
| Conventional natural gas (MMcf/d) | 41.5 | 49.3 | 2.9 | 3.4 | 38.4 | 45.6 | 0.2 | 0.2 |
| Natural gas (MMcf/d) | 131.9 | 306.8 | 33.9 | 21.2 | 76.8 | 79.1 | 2.2 | 5.0 |
| Condensate (Bbl/d) | 14,632 | 38,311 | 6,097 | 2,645 | 5,962 | 6,348 | 1 | 1 |
| Other NGLs (Bbl/d) | 3,853 | 6,920 | 2,196 | 1,122 | 1,287 | 1,490 | 11 | 8 |
| NGLs (Bbl/d) | 18,485 | 45,231 | 8,293 | 3,767 | 7,249 | 7,838 | 12 | 9 |
| Light and medium crude oil (Bbl/d) | 1,122 | 1,296 | 23 | 19 | 1,099 | 1,277 | - | - |
| Tight oil (Bbl/d) | 267 | 454 | 203 | 214 | 64 | 109 | - | - |
| Heavy crude oil (Bbl/d) | 381 | 371 | - | - | - | - | 381 | 371 |
| Crude oil (Bbl/d) | 1,770 | 2,121 | 226 | 233 | 1,163 | 1,386 | 381 | 371 |
| Total (Boe/d) | 42,238 | 98,490 | 14,161 | 7,537 | 21,216 | 22,404 | 770 | 1,226 |

| | Three months ended December 31 | | | | | | | |
|------------------------------------|--------------------------------|----------------|-----------------|--------------|---------------|---------------|------------------|------------|
| | Total Company by Product Type | | Willesden Green | | Kaybob | | Other Properties | |
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Shale gas (MMcf/d) | 96.5 | 269.2 | 56.1 | 19.7 | 38.1 | 35.7 | 2.3 | - |
| Conventional natural gas (MMcf/d) | 36.6 | 48.1 | 2.6 | 3.4 | 33.8 | 44.3 | 0.2 | 0.3 |
| Natural gas (MMcf/d) | 133.1 | 317.3 | 58.7 | 23.1 | 71.9 | 80.0 | 2.5 | 0.3 |
| Condensate (Bbl/d) | 17,777 | 41,243 | 11,843 | 3,118 | 5,933 | 6,794 | 1 | 2 |
| Other NGLs (Bbl/d) | 5,318 | 6,753 | 3,926 | 1,284 | 1,368 | 1,480 | 24 | 12 |
| NGLs (Bbl/d) | 23,095 | 47,996 | 15,769 | 4,402 | 7,301 | 8,274 | 25 | 14 |
| Light and medium crude oil (Bbl/d) | 1,065 | 792 | 21 | 20 | 1,044 | 772 | - | - |
| Tight oil (Bbl/d) | 238 | 393 | 178 | 220 | 60 | 60 | - | - |
| Heavy crude oil (Bbl/d) | 392 | 407 | - | - | - | - | 392 | 407 |
| Crude oil (Bbl/d) | 1,695 | 1,592 | 199 | 240 | 1,104 | 832 | 392 | 407 |
| Total (Boe/d) | 46,973 | 102,477 | 25,752 | 8,488 | 20,387 | 22,441 | 834 | 484 |

Paramount is forecasting 2026 annual average sales volumes of between 46,000 Boe/d and 51,000 Boe/d (50% shale gas and conventional natural gas combined, 38% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 12% other NGLs):

- First half 2026 average sales volumes are expected to be between 39,000 Boe/d and 44,000 Boe/d (53% shale gas and conventional natural gas combined, 37% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 10% other NGLs).
- Third quarter 2026 average sales volumes are expected to be between 46,500 Boe/d and 51,500 Boe/d (49% shale gas and conventional natural gas combined, 39% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 12% other NGLs).
- Fourth quarter 2026 average sales volumes are expected to be between 59,000 Boe/d and 64,000 Boe/d (47% shale gas and conventional natural gas combined, 40% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 13% other NGLs).

2027 annual average sales volumes are expected to be between 60,000 Boe/d to 65,000 Boe/d (50% shale gas and conventional natural gas combined, 38% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 12% other NGLs):

- Year-end 2027 exit sales volumes are expected to be over 100,000 Boe/d (65% shale gas and conventional natural gas combined, 29% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% other NGLs).

The Company plans to maintain average sales volumes in Kaybob of between 19,000 Boe/d and 20,000 Boe/d (62% shale gas and conventional natural gas combined, 32% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% other NGLs) through to 2028.

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 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 and years ended December 31, 2025, and 2024.

F&D capital is a measure used in determining F&D costs and is comprised of: (i) capital expenditures (the most directly comparable measure disclosed in the Company's primary financial statements) for 2025, excluding certain expenditures described herein, plus (ii) the change from the prior year in estimated future development capital included in the evaluation of the Company's reserves prepared by McDaniel & Associates Consultants Ltd. dated March 2, 2026 and effective December 31, 2025, excluding changes in future development capital associated with the assets sold in the Grande Prairie Disposition. Capital expenditures associated with the assets sold in the Grande Prairie Disposition, capital expenditures related to Fox Drilling and corporate capital expenditures have been excluded. The composition of F&D capital has changed from that disclosed in prior years to adjust for the effects of the Grande Prairie Disposition by excluding from the calculation capital expenditures and changes in future development capital associated with the assets sold in the Grande Prairie Disposition. F&D capital is used by management and investors, in calculating F&D costs, to represent the amount of capital invested in oil and gas exploration and development projects to generate reserves additions.

Set out below is the calculation of F&D capital for the year ended December 31, 2025. Columns may not add due to rounding.

| (\$ millions) | |
|--|--------------|
| Proved Developed Producing | 2025 |
| Capital expenditures | 789 |
| Grande Prairie Disposition | (16) |
| Fox Drilling and corporate | (10) |
| Change in estimated future development capital | 19 |
| F&D Capital – PDP | 782 |
| Total Proved | 2025 |
| Capital expenditures | 789 |
| Grande Prairie Disposition | (16) |
| Fox Drilling and corporate | (10) |
| Change in estimated future development capital | 905 |
| F&D Capital – TP | 1,667 |
| Proved Plus Probable | 2025 |
| Capital expenditures | 789 |
| Grande Prairie Disposition | (16) |
| Fox Drilling and corporate | (10) |
| Change in estimated future development capital | 2,573 |
| F&D Capital – P+P | 3,336 |

Non-GAAP Ratios

F&D costs, recycle ratio, 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.

F&D costs are calculated by dividing: (i) F&D capital (a non-GAAP financial measure) for the applicable reserves category and period; by (ii) the net changes to reserves in such reserves category from the prior period from extensions/improved recovery, technical revisions and economic factors, expressed in Boe. F&D costs are a measure commonly used by management and investors to assess the relationship

between capital invested in oil and gas exploration and development projects and reserve additions. Readers should refer to the information under the heading "*Reserves – Reserves Reconciliation*" in the Company's annual information form for the year ended December 31, 2025, which is available on SEDAR+ at www.sedarplus.ca or on the Company's website at www.paramountres.com, for a description of the net changes to reserves from the prior year. See "Advisories – Oil and Gas Definitions and Measures" below for more information about this measure.

The calculation of F&D costs, after adjusting for the impacts of the Grande Prairie Disposition, is as follows:

| | F&D Capital (\$ millions) | Reserves Additions ⁽¹⁾ (MMBoe) | F&D Costs (\$/Boe) |
|----------------------------|------------------------------|--|-----------------------|
| Proved Developed Producing | 782 | 32 | 24.42 |
| Total Proved | 1,667 | 69 | 24.15 |
| Total Proved Plus Probable | 3,336 | 286 | 11.67 |

(1) Reserves additions refers to the net changes to reserves in such reserves category from the prior period from extensions/improved recovery, technical revisions and economic factors

Recycle ratio is calculated by dividing the netback (a non-GAAP financial measure) per Boe from sales volumes, other than those associated with the assets sold in the Grande Prairie Disposition, for the period by the F&D costs for the period. The composition of recycle ratio has changed from that disclosed in prior years to adjust for the effects of the Grande Prairie Disposition by excluding the netback associated with the assets sold in the Grande Prairie Disposition. Recycle ratio is used by investors and management to compare the cost of adding reserves to the netback realized from production. See "Advisories – Oil and Gas Definitions and Measures" for more information about this measure.

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 18 in the Consolidated Financial Statements of Paramount 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 years ended December 31, 2025 and 2024 and (iii) a calculation of net (cash) debt as at December 31, 2025 and 2024.

The following is 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 months ended December 31, 2025 and 2024:

| Three months ended December 31 (\$millions) | 2025 | 2024 |
|---|--------------|-------|
| Cash from operating activities | 185.4 | 187.7 |
| Change in non-cash working capital | (61.4) | 35.9 |
| Geological and geophysical expense | 2.6 | 2.3 |
| Asset retirement obligations settled | 9.4 | 11.9 |
| Provisions settled | 4.1 | – |
| Transaction and reorganization costs | – | – |
| Closure costs | – | – |
| Settlements | – | – |
| Adjusted funds flow | 140.1 | 237.8 |

The following is 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 months ended December 31, 2025 and 2024:

| Three months ended December 31 (\$ millions) | 2025 | 2024 |
|--|---------------|---------|
| Cash from operating activities | 185.4 | 187.7 |
| Change in non-cash working capital | (61.4) | 35.9 |
| Geological and geophysical expense | 2.6 | 2.3 |
| Asset retirement obligations settled | 9.4 | 11.9 |
| Provisions settled | 4.1 | – |
| Transaction and reorganization costs | – | – |
| Closure costs | – | – |
| Settlements | – | – |
| Adjusted funds flow | 140.1 | 237.8 |
| Capital expenditures | (208.6) | (170.8) |
| Geological and geophysical expense | (2.6) | (2.3) |
| Asset retirement obligation settled | (9.4) | (11.9) |
| Provisions settled | (4.1) | – |
| Free cash flow | (84.6) | 52.8 |

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:

- the expected timing of completion of phase two of the Alhambra Plant and the expected capacity thereof on completion;
- the expected timing of completion of the Sinclair Plant and the expected capacity thereof on completion;
- expected average sales volumes for 2026 and certain periods therein;
- budgeted capital expenditures in 2026 and the allocation thereof;
- budgeted abandonment and reclamation expenditures in 2026;
- the Company's outlook for capital expenditures and sales volumes in 2027 and the year-end 2027 exit rate of sales volumes;
- the expected benefits of the completion of water recycling facilities and other infrastructure at Willesden Green;
- the Company's plans to maintain average sales volumes in Kaybob within a certain range through to 2028; and
- planned and potential exploration, development and production activities, including the drilling, completion and bringing onstream of new wells, the construction of pipelines and other infrastructure, planned facility capacity testing and planned facility outages.

Statements relating to reserves are also deemed to be forward looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

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 (including the construction of the Sinclair Plant and the second phase of the Alhambra Plant) 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, including those necessary for the construction of the Sinclair Plant;
- 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 Sinclair Plant and the second phase of 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, blowouts or induced seismicity events;
- 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, the Sinclair Plant 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 (including the construction of the Sinclair Plant and the second phase of the Alhambra Plant and the drilling, completion, equipping and tie-in of new wells necessary to maintain and grow production) 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, including those required for the Sinclair Plant, 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, 2025, 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.

Reserves Data

Reserves data set forth in this press release is based upon an evaluation of the Company's reserves prepared by McDaniel & Associates Consultants Ltd. ("McDaniel") dated March 2, 2026 and effective December 31, 2025 (the "McDaniel Report"). The reserves referenced in this press release are gross reserves. The price forecast used in the McDaniel Report is an average of forecast prices and inflation rate assumptions published by Sproule Associates Ltd. as at December 31, 2025 and GLJ Ltd. and McDaniel as at January 1, 2026 (each of which is available on their respective websites at www.sroule-erce.com, www.gljpc.com and www.mcdan.com). The estimates of reserves contained in the McDaniel Report and referenced in this press release are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates contained in the McDaniel Report and referenced in this press release. There is no assurance that the forecast prices and costs assumptions used in the McDaniel Report will be attained, and variances could be material. Estimated future net revenue does not represent fair market value. Readers should refer to the Company's annual information form for the year ended December 31, 2025, which is available on SEDAR+ at www.sedarplus.ca or on Paramount's website at www.paramountres.com, for a complete description of the McDaniel Report (including reserves by the specific product types of shale gas, conventional natural gas, NGLs, light and medium crude oil, tight oil and heavy crude oil) and the material assumptions, limitations and risk factors pertaining thereto.

Oil and Gas Measures and Definitions

| Liquids | | Natural Gas | |
|----------------|--|-------------|---|
| Bbl | Barrels | GJ | Gigajoules |
| Bbl/d | Barrels per day | GJ/d | Gigajoules per day |
| MBl | 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 |
| | | MMcf/d | Millions of cubic feet per day |
| | | NYMEX | New York Mercantile Exchange |
| | | AECO | AECO-C reference price |
| Oil Equivalent | | | |
| Boe | Barrels of oil equivalent | | |
| MBoe | Thousands of barrels of oil equivalent | | |
| MBoe | 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 year ended December 31, 2025, the value ratio between crude oil and natural gas was approximately 49:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value.

This press release contains metrics commonly used in the oil and natural gas industry. These metrics are "CGR", F&D costs, recycle ratio, reserves replacement ratio and reserve life index. Each of these metrics is determined by the Company as set out below or elsewhere in this press release. These metrics do not have standardized meanings and may not be comparable to similar measures presented by other companies. As such, they should not be used to make comparisons. Management uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare the Company's performance over time; however, such measures are not reliable indicators of the Company's future performance and future performance may not compare to the performance in previous periods and therefore should not be unduly relied upon.

"CGR" means condensate to gas ratio and is calculated by dividing wellhead raw liquids volumes by wellhead raw natural gas volumes.

Refer to the "Specified Financial Measures" section of this press release for a description of the calculation and use of F&D costs and recycle ratio.

Reserves replacement ratio is calculated by dividing: (i) the net changes in reserves from the prior year in the applicable category from extensions/improved recovery, technical revisions and economic factors, by (ii) the aggregate sales volumes during 2025, excluding sales volumes associated with the assets sold in the Grande Prairie Disposition. Reserves replacement ratio is a measure commonly used by management and investors to assess the rate at which reserves depleted by production are being replaced.

Reserve life index is calculated by dividing: (i) reserves volumes of the applicable category by (ii) average annual sales volumes for 2025, excluding sales volumes associated with the assets sold in the Grande Prairie Disposition. Reserves life index is a measure commonly used by management and investors to assess the duration of inventory or life of reserves.

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, 2025 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 year ended December 31, 2025

This Management's Discussion and Analysis ("MD&A"), dated March 2, 2026, should be read in conjunction with the audited consolidated financial statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the year ended December 31, 2025 (the "Consolidated 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 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. 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. Paramount's principal properties are located in Alberta and British Columbia. The Company's class A common shares ("Common Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "POU". Additional information concerning Paramount, including its annual information form for the year ended December 31, 2025 (the "Annual Information Form"), can be found on the SEDAR+ website at www.sedarplus.ca.

The Company's operations are currently focused in the following areas:

- Willesden Green: a liquids-rich natural gas Duvernay development, located near Rocky Mountain House, Alberta ("Willessden Green");
- Kaybob: includes the Kaybob North Duvernay development and other legacy natural gas and oil producing properties, located in the greater Kaybob area near Fox Creek, Alberta ("Kaybob"); and
- Sinclair: sanctioned by the Company in November 2025 and intended to be a high-rate, low cost Montney natural gas development, located west of Grande Prairie, Alberta ("Sinclair");

Paramount also owns other properties including: (i) lands located in Alberta prospective for cold flow heavy oil and in-situ thermal oil recovery, (ii) shale gas properties in northeast British Columbia in the Horn River and Liard basins and (iii) undeveloped land in the Mackenzie Delta and Central Mackenzie in the Northwest Territories prospective for natural gas and oil production.

Prior to their sale on January 31, 2025, the Company's Karr and Wapiti properties were the major focus of its development activities and operations. See the "Grande Prairie Disposition and Special Distribution" section of this MD&A.

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

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

| | 2025 | 2024 | 2023 |
|---|----------------|---------|---------|
| FINANCIAL | | | |
| Petroleum and natural gas sales | 736.4 | 1,760.2 | 1,798.5 |
| Net income | 1,288.7 | 335.9 | 470.2 |
| Per share – basic (\$/share) | 8.96 | 2.30 | 3.29 |
| Per share – diluted (\$/share) | 8.78 | 2.25 | 3.17 |
| Cash from operating activities | 417.3 | 815.3 | 938.2 |
| Per share – basic (\$/share) ⁽¹⁾ | 2.90 | 5.58 | 6.56 |
| Per share – diluted (\$/share) ⁽¹⁾ | 2.84 | 5.46 | 6.32 |
| Adjusted funds flow ⁽¹⁾ | 467.2 | 930.3 | 965.3 |
| Per share – basic (\$/share) | 3.25 | 6.37 | 6.75 |
| Per share – diluted (\$/share) | 3.18 | 6.24 | 6.51 |
| Free cash flow ⁽¹⁾ | (385.5) | 37.3 | 168.4 |
| Per share – basic (\$/share) | (2.68) | 0.25 | 1.18 |
| Per share – diluted (\$/share) | (2.63) | 0.25 | 1.13 |
| Total assets | 3,587.2 | 4,757.5 | 4,388.7 |
| Investments in securities | 137.3 | 563.9 | 540.9 |
| Long-term debt | – | 173.0 | – |
| Net (cash) debt ⁽¹⁾ | (672.8) | 188.4 | 59.6 |
| Total liabilities | 875.4 | 1,062.2 | 889.5 |
| Common shares outstanding (millions) ⁽²⁾ | 144.2 | 146.9 | 144.2 |
| Dividends and distributions declared and paid (\$/share) | 15.70 | 1.70 | 2.50 |
| OPERATING | | | |
| Sales volumes | | | |
| Natural gas (MMcf/d) | 131.9 | 306.8 | 315.1 |
| Condensate and oil (Bbl/d) | 16,402 | 40,432 | 37,657 |
| Other NGLs (Bbl/d) | 3,853 | 6,920 | 6,226 |
| Total (Boe/d) | 42,238 | 98,490 | 96,393 |
| % Liquids | 48% | 48% | 46% |
| Realized prices ⁽¹⁾ | | | |
| Natural gas (\$/Mcf) | 3.02 | 1.99 | 3.04 |
| Condensate and oil (\$/Bbl) | 85.40 | 96.96 | 99.25 |
| Other NGLs (\$/Bbl) | 30.46 | 35.37 | 36.06 |
| Petroleum and natural gas sales (\$/Boe) | 47.77 | 48.83 | 51.12 |
| Capital expenditures | 788.5 | 842.2 | 732.1 |

(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 cash bonus and restricted share unit ("CBRSU") plan (Common Shares): 2025: 0.2 million; 2024: 0.4 million; 2023: 0.4 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"). The Purchase Price after adjustments totaled \$3.243 billion, resulting in a gain on sale of oil and gas assets of \$1.595 billion being recorded in respect of the Grande Prairie Disposition in 2025. In connection with the Grande Prairie Disposition, the acquiror assumed Paramount's processing and transportation commitments related to the Sold Assets.

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 "Revolving Credit Facility") was amended to \$500 million. Additional information concerning the Revolving Credit Facility is included in the "Liquidity and Capital Resources" section of this MD&A and in the Consolidated Financial Statements.

Paramount's results for the year ended December 31, 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 and 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 table provides selected operating results of the Company:

| | Year ended December 31 | | | | | | | | | | | |
|---|------------------------|--------------|----------------------------|--------------|---------------|--------------|--------------------|--------------|--------------|--------------|---------------|--------------|
| | 2025 | | | | | | 2024 | | | | | |
| | Ongoing Operations | | Sold Assets ⁽¹⁾ | | Total Company | | Ongoing Operations | | Sold Assets | | Total Company | |
| Sales Volumes (Boe/d) ⁽²⁾ | 36,147 | | 6,091 | | 42,238 | | 31,167 | | 67,323 | | 98,490 | |
| <i>% Liquids</i> | 48% | | 48% | | 48% | | 44% | | 50% | | 48% | |
| | \$/Boe | | \$/Boe | | \$/Boe | | \$/Boe | | \$/Boe | | \$/Boe | |
| Petroleum and natural gas sales ⁽³⁾ | 617.8 | 46.83 | 118.6 | 53.34 | 736.4 | 47.77 | 504.9 | 44.26 | 1,255.3 | 50.95 | 1,760.2 | 48.83 |
| Royalties ⁽³⁾ | (36.0) | (2.73) | (15.0) | (6.75) | (51.0) | (3.31) | (33.4) | (2.92) | (189.4) | (7.69) | (222.8) | (6.18) |
| Operating expense ⁽³⁾ | (147.3) | (11.16) | (32.5) | (14.62) | (179.8) | (11.66) | (137.2) | (12.03) | (336.7) | (13.66) | (473.9) | (13.15) |
| Transportation and NGLs processing ⁽³⁾ | (61.3) | (4.64) | (7.6) | (3.42) | (68.9) | (4.47) | (38.1) | (3.34) | (97.5) | (3.96) | (135.6) | (3.76) |
| Sales of commodities purchased ⁽³⁾ | 280.3 | 21.23 | – | – | 280.3 | 18.18 | 317.3 | 27.81 | – | – | 317.3 | 8.80 |
| Commodities purchased ⁽³⁾ | (275.2) | (20.86) | – | – | (275.2) | (17.85) | (312.0) | (27.35) | – | – | (312.0) | (8.65) |
| Netback ⁽⁴⁾ | 378.3 | 28.67 | 63.5 | 28.55 | 441.8 | 28.66 | 301.5 | 26.43 | 631.7 | 25.64 | 933.2 | 25.89 |
| Capital expenditures | 772.5 | | 16.0 | | 788.5 | | 427.6 | | 414.6 | | 842.2 | |

(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 are calculated by dividing aggregate sales volumes from January 1, 2025 to January 30, 2025 by 365 days.

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

(3) Refer to the consolidated statements of comprehensive income in the Consolidated Financial Statements.

(4) Netback is a non-GAAP financial measure and 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.

2025 OVERVIEW

Annual sales volumes were 42,238 Boe/d (48% liquids), exceeding the upper end of the Company's guidance range of 41,000 to 42,000 Boe/d (47% liquids) with a higher than forecast liquids contribution. Fourth quarter 2025 sales volumes were 46,973 Boe/d (53% liquids), a 30 percent increase over third quarter sales volumes. The Company continued to achieve high runtime at its wholly-owned and operated Alhambra Plant and strong Duvernay well performance at Willesden Green in the quarter.

Net income was \$1,288.7 million (\$8.96 per basic share) in 2025 compared to \$335.9 million (\$2.30 per basic share) in 2024. The Company realized cash proceeds of \$3,243 million through the Grande Prairie Disposition, resulting in an after-tax gain of \$1,223 million in 2025 (\$1,595 million before tax gain net of \$372 million deferred tax expense).

Cash from operating activities was \$417.3 million (\$2.90 per basic share) in 2025 compared to \$815.3 million (\$5.58 per basic share) in 2024. Adjusted funds flow was \$467.2 million (\$3.25 per basic share) compared to \$930.3 million (\$6.37 per basic share) in 2024. Free cash flow was (\$385.5) million ((\$2.68) per basic share) compared to \$37.3 million (\$0.25 per basic share) in 2024. ⁽¹⁾

Capital expenditures totaled \$788.5 million in 2025, below the low end of the Company's guidance range of \$795 million to \$825 million. Paramount's 2025 capital program was largely focused on its Willesden Green Duvernay development, with lesser amounts directed to the Company's Kaybob North Duvernay and Sinclair Montney developments. Construction of the first phase of the Alhambra Plant was completed early in the third quarter of 2025, with first sales volumes achieved in late-July 2025. The Company also sanctioned and advanced the construction of the second phase of the Alhambra Plant, which is now expected to be brought onstream by early in the third quarter of 2026.

In November 2025, the Company sanctioned its new Sinclair Montney development, which is intended to be a high-rate, low-cost natural gas development. Production will be handled at the wholly-owned and operated Sinclair Plant, which is being designed to be capable of handling up to 400 MMcf/d of raw natural gas production and will be constructed in 2026 and 2027. Capital expenditures at Sinclair totaled \$65 million in 2025 and the Company anticipates midpoint capital expenditures at Sinclair of approximately \$360 million in 2026 and approximately \$440 million in 2027. The Company has contracted 335 MMcf/d of firm service natural gas sales egress commencing in the fourth quarter of 2027 to coincide with the planned start-up of the Sinclair Plant.

In 2025, the Company realized cash proceeds of \$555.7 million from the sale of investments in securities, including \$519.2 million from the sales of its remaining investment in the common shares of NuVista Energy Ltd. ("NuVista Shares"). In 2019 and 2020, Paramount acquired 39.8 million NuVista Shares at a total cost of \$66 million. From 2022 to 2025, the Company realized \$622 million in aggregate proceeds from the sale of these shares, resulting in an aggregate pre-tax gain of \$556 million.

The carrying value of the Company's investments in securities was \$137.3 million at December 31, 2025 compared to \$563.9 million at December 31, 2024.

The Company paid \$2,249 million in distributions and dividends in 2025, comprised of \$2,148 million through a \$15.00 per Common Share Special Distribution in February 2025 and \$101 million in regular monthly dividends totaling \$0.70 per Common Share. The Company also repurchased and cancelled 4.9 million Common Shares in early February 2025 under its normal course issuer bid for \$155 million.

Net cash was \$672.8 million at December 31, 2025 compared to net debt of \$188.4 million at December 31, 2024. At December 31, 2025, Paramount had undrawn credit facilities totaling \$750 million. ⁽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 and net debt 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.

Asset retirement obligations settled were \$39.0 million in 2025 compared to \$38.1 million in 2024. Activities in 2025 included the abandonment of 26 wells, decommissioning of 14 pipeline segments and reclamation of 61 sites.

2026 GUIDANCE

The Company is increasing its 2026 annual sales volumes guidance by 1,000 Boe/d to between 46,000 Boe/d and 51,000 Boe/d (50% liquids):

- First half 2026 sales volumes are now expected to average between 39,000 Boe/d and 44,000 Boe/d (47% liquids), a 2,000 Boe/d increase from prior guidance. The increase reflects higher assumed reliability of the Alhambra Plant based on performance to date as well as stronger well productivity. Second quarter sales volumes continue to be expected to be lower than first quarter volumes due to the timing of new well production, as well as a planned one-week outage at the Alhambra Plant in the second quarter to accommodate the expansion of the facility.
- Third quarter 2026 average sales volumes are expected to be between 46,500 Boe/d and 51,500 Boe/d (51% liquids) as the second phase of the Alhambra Plant comes onstream. A one-month outage at the Leafland Plant is planned starting in July as an interconnection to the Alhambra Plant is put into service.
- Fourth quarter 2026 average sales volumes are expected to be between 59,000 Boe/d and 64,000 Boe/d (53% liquids).

Paramount is reaffirming its 2026 guidance for capital expenditures of between \$1,050 million and \$1,150 million and abandonment and reclamation expenditures of \$35 million. With cash and cash equivalents of \$730 million and \$750 million in undrawn credit facilities at December 31, 2025, Paramount is in a strong financial position to advance its planned Willesden Green and Sinclair developments. The Company remains committed to prudently managing its capital resources and has the flexibility to adjust its capital expenditure plans depending on commodity prices and other factors.

CAPITAL AND SALES VOLUMES OUTLOOK

Paramount continues to expect midpoint annual capital expenditures of approximately \$1,100 million for each of 2026 and 2027, which will mostly be directed to the Willesden Green Duvernay and Sinclair Montney developments. The Company continues to expect its sales volumes to more than double to over 100,000 Boe/d (35% liquids) by the end of 2027.

| Outlook | 2026 | 2027 |
|-------------------------------------|-------------------------------------|--|
| Capital expenditures (midpoint) | \$1,100 million | \$1,100 million |
| Willesden Green | \$630 million | \$440 million |
| Sinclair | \$360 million | \$440 million |
| Sales volumes (annual) Exit rate | 46,000 – 51,000 Boe/d (50% liquids) | 60,000 – 65,000 Boe/d (50% liquids) > 100,000 Boe/d (35% liquids) |

CONSOLIDATED RESULTS

Net Income

Paramount recorded net income of \$1,288.7 million for the year ended December 31, 2025 compared to \$335.9 million for the year ended December 31, 2024. Significant factors contributing to the change are shown below:

| Year ended December 31 | |
|--|---|
| Net income – 2024 | 335.9 |
| <ul style="list-style-type: none"> • Higher gain on sale of oil and gas assets in 2025 due to the Grande Prairie Disposition • Lower depletion and depreciation expense in 2025 • Lower exploration and evaluation expense in 2025 • Higher interest income in 2025 • Lower accretion of asset retirement obligations in 2025 • Lower netback in 2025 mainly due to the Grande Prairie Disposition, partially offset by a higher netback at Willesden Green in 2025 mainly due to higher sales volumes • Higher deferred income tax expense in 2025 • Provision expense in 2025 related to a pipeline release compared to a recovery in 2024 • Transaction and reorganization costs in 2025 primarily related to cash payments made to optionholders on the surrender of their Paramount stock options in connection with the Special Distribution • Other | 1,591.6 182.5 20.9 20.6 17.2 (491.4) (321.4) (38.6) (24.3) (4.3) |
| Net income – 2025 | 1,288.7 |

Paramount recorded net income of \$335.9 million for the year ended December 31, 2024 compared to \$470.2 million for the year ended December 31, 2023. Significant factors contributing to the change are shown below:

| Year ended December 31 | |
|---|--|
| Net income – 2023 | 470.2 |
| <ul style="list-style-type: none"> • Lower gain on sale of oil and gas assets in 2024 • Higher depletion and depreciation expense in 2024 • Lower netback in 2024 mainly due to lower commodity prices, partially offset by higher liquids sales volumes and a \$10.0 million interim payment from insurers for 2023 Alberta wildfire business interruption losses • Lower gain on risk management contracts in 2024 • Higher exploration and evaluation expense in 2024 • Higher share-based compensation expense in 2024 • Lower income tax expense in 2024 • Other | (110.7) (28.0) (27.7) (21.3) (13.8) (10.1) 68.6 8.7 |
| Net income – 2024 | 335.9 |

Cash From Operating Activities

Cash from operating activities for the year ended December 31, 2025 was \$417.3 million compared to \$815.3 million for the year ended December 31, 2024. Significant factors contributing to the change are shown below:

| Year ended December 31 | |
|---|--------------|
| Cash from operating activities – 2024 | 815.3 |
| • Lower netback in 2025 mainly due to the Grande Prairie Disposition, partially offset by a higher netback at Willesden Green in 2025 mainly due to higher sales volumes | (491.4) |
| • Transaction and reorganization costs in 2025 primarily related to cash payments made to optionholders on the surrender of their Paramount stock options in connection with the Special Distribution | (24.3) |
| • Provisions settled in 2025 | (11.9) |
| • Change in non-cash working capital | 102.8 |
| • Higher interest income in 2025 | 20.6 |
| • Higher receipts on risk management contract settlements in 2025 | 14.4 |
| • Other | (8.2) |
| Cash from operating activities – 2025 | 417.3 |

Cash from operating activities for the year ended December 31, 2024 was \$815.3 million compared to \$938.2 million for the year ended December 31, 2023. Significant factors contributing to the change are shown below:

| Year ended December 31 | |
|--|--------------|
| Cash from operating activities – 2023 | 938.2 |
| • Change in non-cash working capital | (104.9) |
| • Lower netback in 2024 mainly due to lower commodity prices, partially offset by higher liquids sales volumes and a \$10.0 million interim payment from insurers for 2023 Alberta wildfire business interruption losses | (27.7) |
| • Lower receipts on risk management contract settlements in 2024 | (10.3) |
| • Lower asset retirement obligations settled in 2024 | 16.5 |
| • Other | 3.5 |
| Cash from operating activities – 2024 | 815.3 |

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:

| | 2025 | 2024 | 2023 |
|---|---------------|-------|--------|
| Cash from operating activities | 417.3 | 815.3 | 938.2 |
| Change in non-cash working capital ⁽¹⁾ | (38.6) | 64.2 | (37.7) |
| Geological and geophysical expense ⁽²⁾ | 13.3 | 12.7 | 10.2 |
| Asset retirement obligations settled ⁽¹⁾ | 39.0 | 38.1 | 54.6 |
| Provisions settled ⁽¹⁾ | 11.9 | – | – |
| Transaction and reorganization costs ⁽³⁾ | 24.3 | – | – |
| Adjusted funds flow ⁽⁴⁾ | 467.2 | 930.3 | 965.3 |
| Adjusted funds flow (\$/Boe) ⁽⁵⁾ | 30.31 | 25.80 | 27.43 |

(1) Refer to the consolidated statements of cash flows in the Consolidated Financial Statements.

(2) Refer to Note 5 in the Consolidated Financial Statements.

(3) Refer to the consolidated statements of comprehensive income in the Consolidated Financial Statements.

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

(5) Adjusted funds flow (\$/Boe) is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.

Adjusted funds flow for the year ended December 31, 2025 was \$467.2 million compared to \$930.3 million for the year ended December 31, 2024. Significant factors contributing to the change are shown below:

| Year ended December 31 | |
|--|--------------|
| Adjusted funds flow – 2024 | 930.3 |
| <ul style="list-style-type: none"> Lower netback in 2025 mainly due to the Grande Prairie Disposition, partially offset by a higher netback at Willesden Green in 2025 mainly due to higher sales volumes | (491.4) |
| <ul style="list-style-type: none"> Higher interest income in 2025 | 20.6 |
| <ul style="list-style-type: none"> Higher receipts on risk management contract settlements in 2025 | 14.4 |
| <ul style="list-style-type: none"> Other | (6.7) |
| Adjusted funds flow – 2025 | 467.2 |

Adjusted funds flow for the year ended December 31, 2024 was \$930.3 million compared to \$965.3 million for the year ended December 31, 2023. Significant factors contributing to the change are shown below:

| Year ended December 31 | |
|--|--------------|
| Adjusted funds flow – 2023 | 965.3 |
| <ul style="list-style-type: none"> Lower netback in 2024 mainly due to lower commodity prices, partially offset by higher liquids sales volumes and a \$10.0 million interim payment from insurers for 2023 Alberta wildfire business interruption losses | (27.7) |
| <ul style="list-style-type: none"> Lower receipts on risk management contract settlements in 2024 | (10.3) |
| <ul style="list-style-type: none"> Other | 3.0 |
| Adjusted funds flow – 2024 | 930.3 |

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:

| | 2025 | 2024 | 2023 |
|---|----------------|---------|---------|
| Cash from operating activities | 417.3 | 815.3 | 938.2 |
| Change in non-cash working capital ⁽¹⁾ | (38.6) | 64.2 | (37.7) |
| Geological and geophysical expense ⁽²⁾ | 13.3 | 12.7 | 10.2 |
| Asset retirement obligations settled ⁽¹⁾ | 39.0 | 38.1 | 54.6 |
| Provisions settled ⁽¹⁾ | 11.9 | – | – |
| Transaction and reorganization costs ⁽³⁾ | 24.3 | – | – |
| Adjusted funds flow | 467.2 | 930.3 | 965.3 |
| Capital expenditures ⁽¹⁾ | (788.5) | (842.2) | (732.1) |
| Geological and geophysical expense ⁽²⁾ | (13.3) | (12.7) | (10.2) |
| Asset retirement obligations settled ⁽¹⁾ | (39.0) | (38.1) | (54.6) |
| Provisions settled ⁽¹⁾ | (11.9) | – | – |
| Free cash flow ⁽⁴⁾ | (385.5) | 37.3 | 168.4 |

(1) Refer to the consolidated statements of cash flows in the Consolidated Financial Statements.

(2) Refer to Note 5 in the Consolidated Financial Statements.

(3) Refer to the consolidated statements of comprehensive income in the Consolidated Financial Statements.

(4) Free cash flow is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.

Free cash flow for the year ended December 31, 2025 was (\$385.5) million compared to \$37.3 million for the year ended December 31, 2024. Significant factors contributing to the change are shown below:

| Year ended December 31 | |
|--|---|
| Free cash flow – 2024 | 37.3 |
| <ul style="list-style-type: none"> • Lower adjusted funds flow in 2025 (described in "Adjusted Funds Flow" section above) • Provisions settled in 2025 • Higher asset retirement obligations settled in 2025 • Higher geological and geophysical expense in 2025 • Lower capital expenditures in 2025 | (463.1) (11.9) (0.9) (0.6) 53.7 |
| Free cash flow – 2025 | (385.5) |

Free cash flow for the year ended December 31, 2024 was \$37.3 million compared to \$168.4 million for the year ended December 31, 2023. Significant factors contributing to the change are shown below:

| Year ended December 31 | |
|--|------------------------------------|
| Free cash flow – 2023 | 168.4 |
| <ul style="list-style-type: none"> • Higher capital expenditures in 2024 • Lower adjusted funds flow in 2024 (described in "Adjusted Funds Flow" section above) • Higher geological and geophysical expense in 2024 • Lower asset retirement obligations settled in 2024 | (110.1) (35.0) (2.5) 16.5 |
| Free cash flow – 2024 | 37.3 |

OPERATING RESULTS

Netback

| Year ended December 31 | 2025 | | 2024 | |
|--|--------------|----------------------------|----------------|----------------------------|
| | | (\$/Boe) ⁽¹⁾⁽²⁾ | | (\$/Boe) ⁽¹⁾⁽²⁾ |
| Natural gas revenue ⁽³⁾ | 145.5 | 3.02 | 223.3 | 1.99 |
| Condensate and oil revenue ⁽³⁾ | 511.3 | 85.40 | 1,434.9 | 96.96 |
| Other NGLs revenue ⁽³⁾ | 42.8 | 30.46 | 89.6 | 35.37 |
| Natural gas transportation assignment income ⁽³⁾ | 18.3 | 0.38 | 0.9 | 0.01 |
| Royalty income and other revenue ⁽³⁾ | 18.5 | – | 11.5 | – |
| Petroleum and natural gas sales ⁽⁴⁾ | 736.4 | 47.77 | 1,760.2 | 48.83 |
| Royalties ⁽⁴⁾ | (51.0) | (3.31) | (222.8) | (6.18) |
| Operating expense ⁽⁴⁾ | (179.8) | (11.66) | (473.9) | (13.15) |
| Transportation and NGLs processing ⁽⁴⁾ | (68.9) | (4.47) | (135.6) | (3.76) |
| Sales of commodities purchased ⁽⁴⁾ | 280.3 | 18.18 | 317.3 | 8.80 |
| Commodities purchased ⁽⁴⁾ | (275.2) | (17.85) | (312.0) | (8.65) |
| Netback ⁽⁵⁾ | 441.8 | 28.66 | 933.2 | 25.89 |
| Risk management contract settlements ⁽⁶⁾ | 50.8 | 3.30 | 36.4 | 1.01 |
| Netback including risk management contract settlements ⁽⁷⁾ | 492.6 | 31.96 | 969.6 | 26.90 |

(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 15 in the Consolidated Financial Statements.

(4) Refer to the consolidated statements of comprehensive income in the Consolidated 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 14 in the Consolidated 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 totaled \$736.4 million for the year ended December 31, 2025 compared to \$1,760.2 million in the same period in 2024. The decrease in 2025 was due to the Grande Prairie Disposition. Petroleum and natural gas sales attributable to Ongoing Operations and the Sold Assets were as follows:

| Year ended December 31 | 2025 | 2024 | Change |
|--|--------------|----------------|------------------|
| Ongoing Operations | 617.8 | 504.9 | 112.9 |
| Sold Assets | 118.6 | 1,255.3 | (1,136.7) |
| Petroleum and natural gas sales – Total Company | 736.4 | 1,760.2 | (1,023.8) |

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

| | Natural gas | Condensate and oil | Other NGLs | Natural gas transportation assignment and royalty income and other revenue | Total |
|--|--------------|--------------------|-------------|--|--------------|
| Year ended December 31, 2024 | 223.3 | 1,434.9 | 89.6 | 12.4 | 1,760.2 |
| Effect of changes in sales volumes | (127.6) | (854.4) | (39.9) | – | (1,021.9) |
| Effect of changes in prices | 49.8 | (69.2) | (6.9) | – | (26.3) |
| Change in natural gas transportation assignment and royalty income and other revenue | – | – | – | 24.4 | 24.4 |
| Year ended December 31, 2025 | 145.5 | 511.3 | 42.8 | 36.8 | 736.4 |

Natural gas transportation assignment income of \$18.3 million for the year ended December 31, 2025 (2024 – \$0.9 million) 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.

In 2025, the Company's insurance claims for 2023 Alberta wildfire business interruption losses were finalized, with an aggregate claim of \$26.8 million being agreed by insurers (the "Wildfire Claim"). Royalty income and other revenue for the year ended December 31, 2025 includes \$16.8 million (2024 – \$10.0 million) relating to the Wildfire Claim.

Petroleum and natural gas sales totaled \$1,760.2 million for the year ended December 31, 2024 compared to \$1,798.5 million in the same period in 2023. The decrease in 2024 was mainly due to the effects of a four percent decrease in petroleum and natural gas sales prices per Boe, which was partially offset by a two percent increase in sales volumes over the same time period.

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

| | Natural gas | Condensate and oil | Other NGLs | Natural gas transportation assignment and royalty income and other revenue | Total |
|--|--------------|--------------------|-------------|--|----------------|
| Year ended December 31, 2023 | 349.1 | 1,364.2 | 81.9 | 3.3 | 1,798.5 |
| Effect of changes in prices | (117.6) | (33.8) | (1.7) | – | (153.1) |
| Effect of changes in sales volumes | (8.2) | 104.5 | 9.4 | – | 105.7 |
| Change in natural gas transportation assignment and royalty income and other revenue | – | – | – | 9.1 | 9.1 |
| Year ended December 31, 2024 | 223.3 | 1,434.9 | 89.6 | 12.4 | 1,760.2 |

Sales Volumes

| | Year ended December 31 | | | | | | | | | | | |
|---------------------------|--|--------------|--------------|--|---------------|--------------|--------------------------------------|--------------|--------------|---------------------------------|---------------|--------------|
| | 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 |
| Willesden Green | 33.9 | 21.2 | 60% | 6,323 | 2,878 | 120% | 2,196 | 1,122 | 96% | 14,161 | 7,537 | 88% |
| Kaybob | 76.8 | 79.1 | (3%) | 7,125 | 7,734 | (8%) | 1,287 | 1,490 | (14%) | 21,216 | 22,404 | (5%) |
| Other | 2.2 | 5.0 | (56%) | 382 | 372 | 3% | 11 | 8 | 38% | 770 | 1,226 | (37%) |
| Ongoing Operations | 112.9 | 105.3 | 7% | 13,830 | 10,984 | 26% | 3,494 | 2,620 | 33% | 36,147 | 31,167 | 16% |
| Sold Assets | 19.0 | 201.5 | (91%) | 2,572 | 29,448 | (91%) | 359 | 4,300 | (92%) | 6,091 | 67,323 | (91%) |
| Total | 131.9 | 306.8 | (57%) | 16,402 | 40,432 | (59%) | 3,853 | 6,920 | (44%) | 42,238 | 98,490 | (57%) |

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

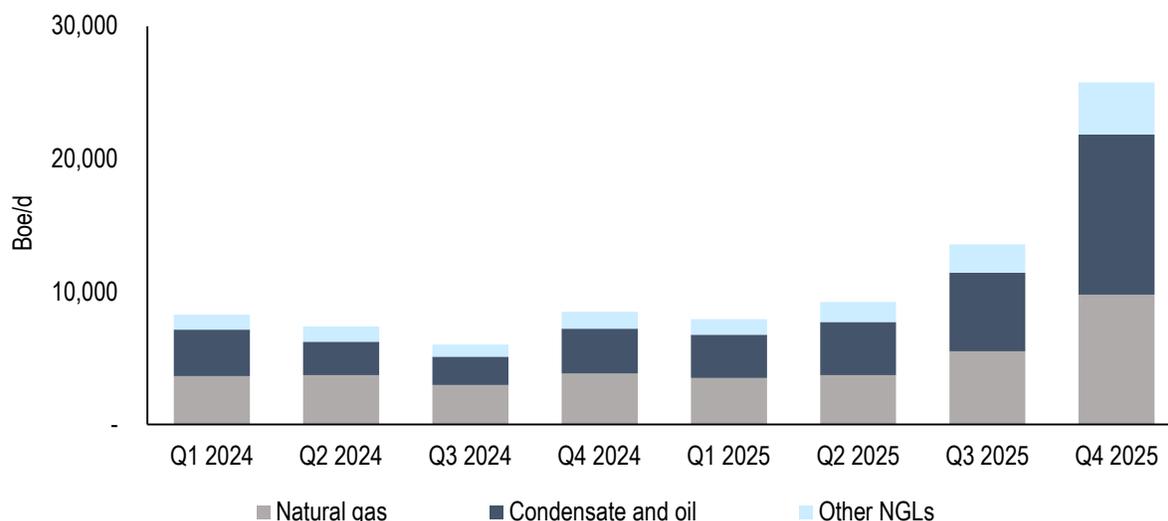
Total Company sales volumes averaged 42,238 Boe/d (48% liquids) for the year ended December 31, 2025 compared to 98,490 Boe/d (48% liquids) in the same period in 2024. The decrease in total Company sales volumes in 2025 was due to the Grande Prairie Disposition.

Sales volumes from Ongoing Operations averaged 36,147 Boe/d (48% liquids) for the year ended December 31, 2025 compared to 31,167 Boe/d (44% liquids) in 2024. The increase in Ongoing Operations sales volumes in 2025 was due to higher Willesden Green sales volumes.

Sales volumes at Willesden Green averaged 14,161 Boe/d (60% liquids) for the year ended December 31, 2025 compared to 7,537 Boe/d (53% liquids) in 2024. Construction of the first phase of the Company's wholly-owned and operated Alhambra Plant was completed early in the third quarter of 2025, with first sales volumes achieved in late-July 2025. Paramount brought onstream 22 Duvernay wells at Willesden Green in 2025.

Willesden Green sales volumes for the prior eight quarters are shown below. The Company's development activities have increased Willesden Green sales volumes from 8,268 Boe/d (56% liquids) in the three months ended March 31, 2024 to 25,752 Boe/d (62% liquids) in the three months ended December 31, 2025.

**Sales Volumes
Willesden Green**



Kaybob sales volumes averaged 21,216 Boe/d (40% liquids) for the year ended December 31, 2025 compared to 22,404 Boe/d (41% liquids) in 2024. Paramount brought onstream nine Duvernay wells at Kaybob North in 2025, which mostly offset declines.

Commodity Prices

| Year Ended December 31 | 2025 | 2024 | % Change |
|--|-------|--------|----------|
| Natural Gas ⁽¹⁾ | | | |
| Paramount realized natural gas price (\$/Mcf) | 3.02 | 1.99 | 52 |
| AECO daily spot (\$/GJ) | 1.59 | 1.38 | 15 |
| AECO monthly index (\$/GJ) | 1.76 | 1.37 | 28 |
| Dawn (\$/MMBtu) | 4.58 | 2.66 | 72 |
| NYMEX (US\$/MMBtu) | 3.63 | 2.41 | 51 |
| Malin daily index (US\$/MMBtu) | 2.76 | 2.19 | 26 |
| Emerson 2 daily index (US\$/MMBtu) | 1.85 | 1.40 | 32 |
| Condensate and Oil ⁽¹⁾ | | | |
| Paramount realized condensate & oil price (\$/Bbl) | 85.40 | 96.96 | (12) |
| Edmonton light sweet crude oil (\$/Bbl) | 85.66 | 98.13 | (13) |
| Edmonton condensate (\$/Bbl) | 88.78 | 100.64 | (12) |
| West Texas Intermediate crude oil (US\$/Bbl) | 64.81 | 75.73 | (14) |
| Other NGLs ⁽¹⁾ | | | |
| Paramount realized Other NGLs price (\$/Bbl) | 30.46 | 35.37 | (14) |
| Conway – propane (\$/Bbl) | 41.75 | 42.65 | (2) |
| Belvieu – butane (\$/Bbl) | 51.98 | 56.93 | (9) |
| Foreign Exchange | | | |
| \$ / 1 \$US | 1.40 | 1.37 | 2 |

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

Paramount's natural gas sales 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 and fixed-basis physical contracts. In 2025, Paramount's natural gas sales portfolio included arrangements to sell approximately 43,300 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 2024 included arrangements to sell approximately 60,000 GJ/d of natural gas at Dawn, approximately 22,000 GJ/d of natural gas at Malin and approximately 3,300 GJ/d of natural gas at Emerson.

With approximately 71,000 Mcf/d of Paramount's natural gas sales volumes priced at diversified markets outside of AECO in 2025, Paramount's average realized natural gas price in 2025 was \$3.02/Mcf. In 2026, approximately 58 percent of the Company's forecast natural gas sales volumes are expected to be priced at diversified markets outside of AECO, including at Dawn, Malin and Emerson.

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 crude 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-basis physical contract at December 31, 2025:

| | Volume | Location | Average price | Remaining Term |
|---------------------------------------|-------------|-------------|---------------|-----------------------------|
| Natural gas basis swap ⁽¹⁾ | 38,654 GJ/d | AECO / Dawn | \$1.59/GJ | January 2026 – 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

Financial 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: ⁽¹⁾

| Year ended December 31 | 2025 | 2024 |
|--------------------------------|--------------|------------|
| Fair value, beginning of year | 3.8 | – |
| Changes in fair value | 37.6 | 49.3 |
| Settlements (received) paid | (50.8) | (45.5) |
| Fair value, end of year | (9.4) | 3.8 |

(1) Includes the derivative portion relating to a propane physical sales contract that commenced in February 2024.

In April 2024, Paramount entered into NYMEX WTI swaps (sale) in respect of 14,250 Bbl/d of oil at an average price of \$111.67/Bbl from April 2024 to December 2024. In June 2024, the Company terminated and closed out the outstanding portion of these swaps for aggregate cash proceeds of \$37.9 million.

Paramount had the following financial commodity contracts at December 31, 2025:

| Instruments | Aggregate notional | Average price | Remaining term |
|--|--------------------|---|-----------------------------|
| Natural Gas | | | |
| Citygate / Malin Basis Swap ⁽¹⁾ | 10,000 MMBtu/d | Citygate less US\$0.97/MMBtu (Sell) Malin (Buy) | January 2026 – October 2028 |

(1) "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 14 in the Consolidated Financial Statements.

Foreign Currency Exchange Contracts

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

| Year ended December 31 | 2025 | 2024 |
|--------------------------------|------------|----------|
| Fair value, beginning of year | – | 8.4 |
| Changes in fair value | 4.0 | (17.5) |
| Settlements paid (received) | – | 9.1 |
| Fair value, end of year | 4.0 | – |

The Company had the following foreign currency exchange contracts at December 31, 2025:

| Instruments | Notional | Forward Rate ⁽¹⁾ | Term |
|----------------------|------------------------|-----------------------------|------------------------------|
| Average Rate Forward | US\$10 million / month | 1.3810 CAD\$/US\$1.00 | January 2026 – December 2026 |
| Average Rate Forward | US\$10 million / month | 1.3680 CAD\$/US\$1.00 | January 2027 – December 2027 |

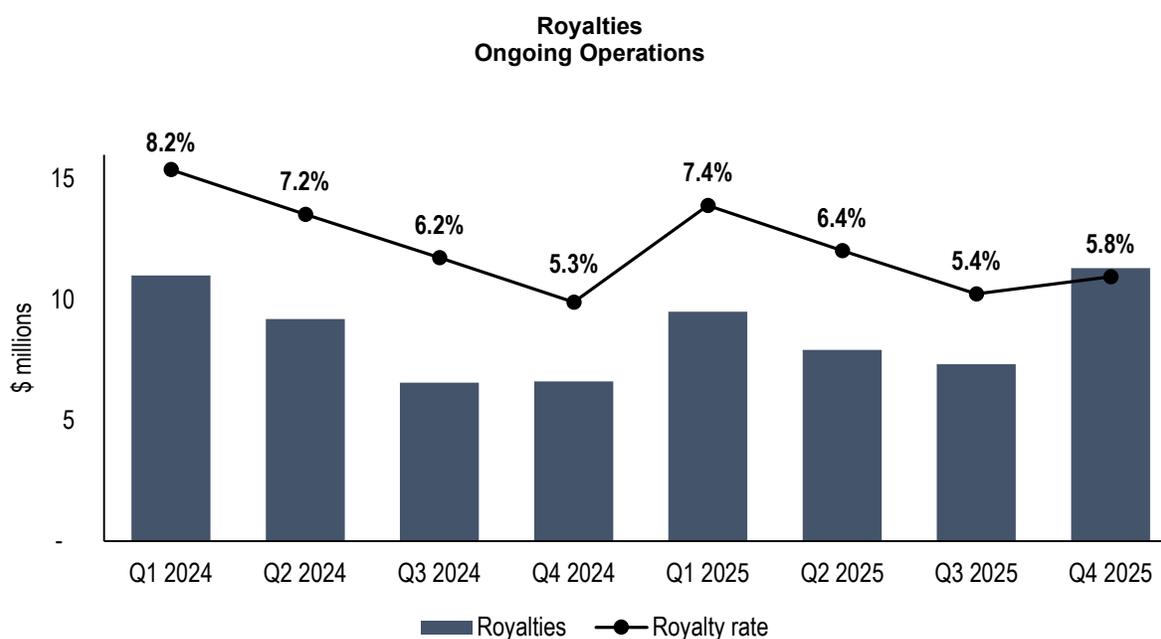
(1) Settled monthly against the average of the US\$/CAD\$ noon spot rate on each applicable day in that month.

For further details on the Company's foreign currency exchange contracts, refer to Note 14 in the Consolidated Financial Statements.

Royalties

| Year ended December 31 | 2025 | Rate ⁽¹⁾ | 2024 | Rate ⁽¹⁾ |
|---|-------------|---------------------|-------|---------------------|
| Ongoing Operations | 36.0 | 6.2% | 33.4 | 6.8% |
| Sold Assets | 15.0 | 12.6% | 189.4 | 15.1% |
| Royalties – Total Company | 51.0 | 7.3% | 222.8 | 12.7% |
| <i>\$/Boe – Ongoing Operations ⁽¹⁾</i> | <i>2.73</i> | | 2.92 | |
| <i>\$/Boe – Total Company ⁽¹⁾</i> | <i>3.31</i> | | 6.18 | |

(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.



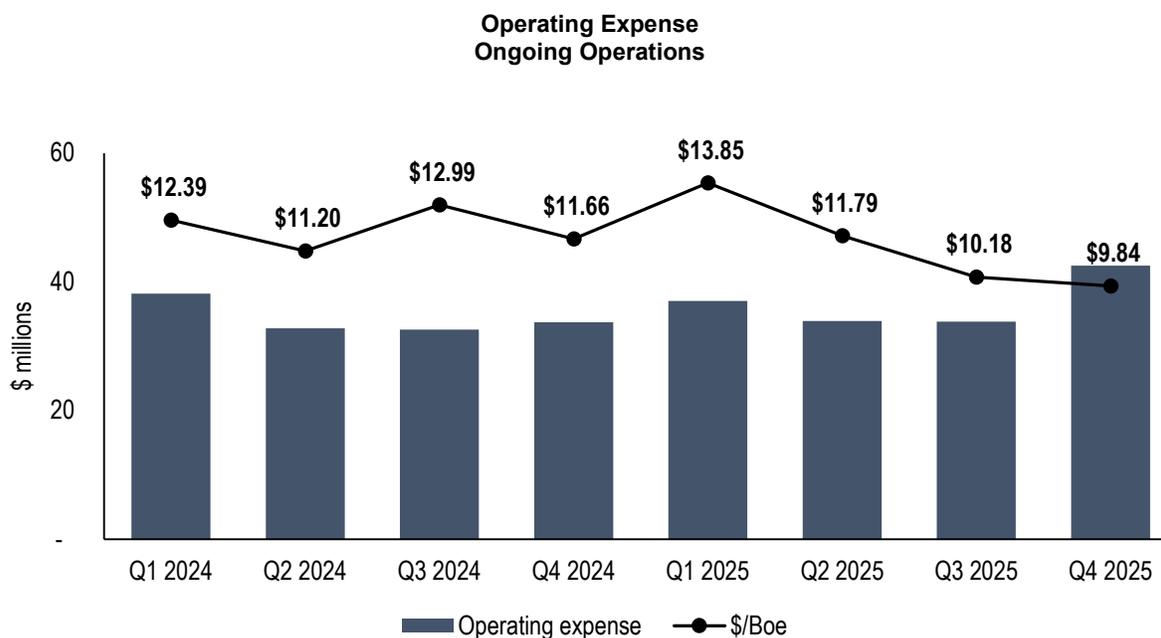
Total Company royalties were \$51.0 million for the year ended December 31, 2025 compared to \$222.8 million in the same period in 2024. Royalties and royalty rates decreased in 2025 due to the Grande Prairie Disposition.

Royalties relating to Ongoing Operations were \$36.0 million for the year ended December 31, 2025 compared to \$33.4 million in the same period in 2024. Royalties relating to Ongoing Operations increased in 2025 mainly due to higher petroleum and natural gas sales, partially offset by lower royalty rates. The Ongoing Operations royalty rate decreased in 2025 primarily due to lower liquids prices and a greater proportion of wells on incentive.

Operating Expense

| Year ended December 31 | 2025 | 2024 | % Change |
|---|--------------|--------------|-------------|
| Ongoing Operations | 147.3 | 137.2 | 7 |
| Sold Assets | 32.5 | 336.7 | (90) |
| Operating expense – Total Company | 179.8 | 473.9 | (62) |
| <i>\$/Boe – Ongoing Operations ⁽¹⁾</i> | <i>11.16</i> | <i>12.03</i> | <i>(7)</i> |
| <i>\$/Boe – Total Company ⁽¹⁾</i> | <i>11.66</i> | <i>13.15</i> | <i>(11)</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 \$179.8 million (\$11.66/Boe) for the year ended December 31, 2025 compared to \$473.9 million (\$13.15/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 \$147.3 million (\$11.16/Boe) for the year ended December 31, 2025 compared to \$137.2 million (\$12.03/Boe) in the same period in 2024. With the new Alhambra plant being brought onstream in the third quarter of 2025 and Willesden Green sales volumes increasing, Ongoing Operations operating expense was \$10.1 million higher in 2025. Ongoing Operations per unit operating expense in 2025 was lower mainly as a result of a greater proportion of sales volumes at Willesden Green, which had a property-level operating expense of \$6.26/Boe in 2025.

Transportation and NGLs Processing

| Year ended December 31 | 2025 | 2024 | % Change |
|---|-------------|--------------|-------------|
| Ongoing Operations | 61.3 | 38.1 | 61 |
| Sold Assets | 7.6 | 97.5 | (92) |
| Transportation and NGLs processing – Total Company | 68.9 | 135.6 | (49) |
| <i>\$/Boe – Ongoing Operations ⁽¹⁾</i> | <i>4.64</i> | <i>3.34</i> | <i>39</i> |
| <i>\$/Boe – Total Company ⁽¹⁾</i> | <i>4.47</i> | <i>3.76</i> | <i>19</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.

Transportation and NGLs processing expense for the year ended December 31, 2025 was \$68.9 million (\$4.47/Boe) compared to \$135.6 million (\$3.76/Boe) in the same period in 2024. Total Company transportation and NGLs processing expense decreased due to the Grande Prairie Disposition. The acquiror of the Sold Assets assumed Paramount's processing and transportation commitments related to these assets in connection with the Grande Prairie Disposition.

Transportation and NGLs processing expense relating to Ongoing Operations was \$61.3 million (\$4.64/Boe) for the year ended December 31, 2025 compared to \$38.1 million (\$3.34/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 natural gas transportation capacity is to markets outside of Alberta, which have a higher per unit cost. With the Alhambra Plant coming onstream in the third quarter of 2025, transportation and NGLs processing expense was also higher due to new contracted transportation capacity for Willesden Green sales volumes commencing.

Sales of Commodities Purchased and Commodities Purchased

| Year ended December 31 | 2025 | 2024 | % Change |
|--------------------------------|---------|---------|----------|
| Sales of commodities purchased | 280.3 | 317.3 | (12) |
| Commodities purchased | (275.2) | (312.0) | (12) |

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 Consolidated Financial Statements.

Other Items

| | 2025 | 2024 |
|---|-----------|--------|
| Depletion and depreciation expense ⁽¹⁾ | 250.5 | 415.3 |
| Change in asset retirement obligations ⁽¹⁾ | (3.1) | 14.6 |
| Exploration and evaluation expense | 6.4 | 27.3 |
| Gain on sale of oil and gas assets | (1,607.2) | (15.6) |
| Accretion of asset retirement obligations | 25.2 | 42.4 |
| Provisions expense | 38.1 | (0.5) |

(1) Refer to Note 6 in the Consolidated Financial Statements.

Depletion and depreciation expense was \$250.5 million in 2025 compared to \$415.3 million in 2024. The decrease in 2025 was mainly due to the Grande Prairie Disposition, the impact of which was partially offset by the impact of higher sales volumes at Willesden Green.

For the year ended December 31, 2025, the Company recorded a recovery of \$3.1 million (2024 – charge of \$14.6 million) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment. In 2024, the changes mainly resulted from 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 \$6.4 million for the year ended December 31, 2025 compared to \$27.3 million in 2024. The decrease in 2025 was primarily due to lower expenses related to expired mineral leases and the recording of a \$7.7 million reversal of previously recorded impairment charges relating to the sale of certain previously impaired exploration and evaluation assets. Paramount received \$7.7 million in common shares of the acquiror in connection with the sale.

The Company closed the Grande Prairie Disposition on January 31, 2025. A gain on sale of oil and gas assets of \$1.595 billion was recorded in respect of the disposition for the year ended December 31, 2025.

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 decreased to \$25.2 million for the year ended December 31, 2025 compared to \$42.4 million for the same period in 2024. This decrease was primarily due to lower future asset retirement obligations following the Grande Prairie Disposition.

In July 2025, Paramount identified a release of liquids that it believes to have originated from a Company owned and operated pipeline (the "Pipeline Release"). The Company responded by shutting in the pipeline, immediately commencing clean-up operations and notifying applicable regulators and impacted stakeholders. Paramount has significantly advanced clean-up operations and is continuing its response and investigation activities, including delineation of the release and root cause analysis.

Paramount recorded a provision of \$38.6 million in 2025 for estimated costs arising from the Pipeline Release, including future response, remediation, reclamation and monitoring activities. The ultimate financial impact of the Pipeline Release on Paramount is uncertain and will be dependent on a number of factors that have yet to be determined, including the extent and final cost of required remediation, reclamation and monitoring activities.

Paramount maintains insurance against certain of its business risks, including business interruption, pollution and commercial general liability. No amounts have been recognized in respect of any potential insurance recoveries for the Pipeline Release. Insurance coverage for any losses are recognized only if recovery is virtually certain.

For further details concerning the Company's provisions, refer to Note 9 in the Consolidated Financial Statements.

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations settled for the year ended December 31, 2025 totaled \$39.0 million. Activities in 2025 included the abandonment of 26 wells, decommissioning of 14 pipeline segments and the reclamation of 61 sites.

Paramount's estimated undiscounted, uninflated asset retirement obligations were \$792.0 million at December 31, 2025 (December 31, 2024 – \$773.7 million, excluding asset retirement obligations associated with assets held for sale). At December 31, 2025, the Company's discounted asset retirement obligations were \$374.1 million (discounted at 7.0 percent per annum and using an inflation rate of 2.0 percent per annum).

For further details concerning the Company's asset retirement obligations, refer to Note 9 in the Consolidated Financial Statements.

OTHER ASSETS

Investments in Securities

| As at December 31 | 2025 | 2024 |
|------------------------|-------|-------|
| Level One Securities | 10.7 | 439.2 |
| Level Three Securities | 126.6 | 124.7 |
| | 137.3 | 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. These valuation techniques utilize market-based metrics of comparable companies and transactions, indicators of value based on equity transactions of the entities and other indicators of value including financial and operating results of the entities. Fair value estimates of Level Three Securities are updated at each balance sheet date to confirm whether the carrying value of the investment continues to fall within a range of possible fair values indicated by such techniques.

Level One Securities at December 31, 2024 included 31.3 million NuVista Shares, which had a carrying value of \$431.9 million. In 2025, the Company sold all of these shares for aggregate cash proceeds of \$519.2 million, resulting in \$413.7 million of accumulated gains, net of tax, being reclassified from reserves to retained earnings.

Level Three Securities at December 31, 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. In 2025, Paramount sold all of its shares of 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.

The Company recorded a before tax gain of \$121.4 million to other comprehensive income ("OCI") for the year ended December 31, 2025 (2024 – \$100.9 million) 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 7 in the Consolidated Financial Statements.

Fox Drilling

Fox Drilling owns six triple-sized drilling rigs, five of which are walking, that are used to drill Company wells and are also available for contracting to third parties. The walking rigs have the capability of moving across a lease with the derrick and drill pipe remaining vertical, significantly increasing efficiencies when drilling multi-well pads. All of the Fox Drilling rigs are bi-fuel capable, enabling the use of natural gas to save costs and reduce emissions compared to diesel engines.

Other Properties

Paramount's other properties include:

- 1.3 million net acres of land in Alberta that are prospective for cold flow heavy oil and in-situ thermal oil recovery, including approximately 300,000 net acres with Clearwater and Bluesky cold flow heavy oil potential and approximately 70,000 net acres with thermal oil potential at the Company's Hoole Grand Rapids property;
- shale gas properties in northeast British Columbia in the Horn River Basin, where the Company holds approximately 110,000 net acres of Muskwa rights, and in the Liard Basin, where the Company holds approximately 195,000 net acres of Besa River rights; and
- approximately 170,000 net acres of undeveloped land in the Mackenzie Delta and Central Mackenzie in the Northwest Territories prospective for natural gas and oil production.

CORPORATE

| | 2025 | 2024 |
|--------------------------------------|--------|--------|
| General and administrative expense | 52.3 | 48.2 |
| Share-based compensation expense | 49.0 | 43.5 |
| Transaction and reorganization costs | 24.3 | – |
| Interest and financing expense | 6.3 | 7.8 |
| Interest income | (22.5) | (1.9) |
| Dividend income and other | (6.9) | (12.9) |
| Deferred income tax expense | 382.3 | 60.9 |

General and administrative expense was \$52.3 million for the year ended December 31, 2025 compared to \$48.2 million in 2024.

Share-based compensation expense was \$49.0 million for the year ended December 31, 2025 compared to \$43.5 million in 2024. The increase in 2025 was mainly due to certain current year grants of restricted share units ("RSU") under the Company's short-term incentive program being made without vesting periods. Previously, RSU grants under the short-term incentive program vested over a two-year period.

Transaction and reorganization costs for the year ended December 31, 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.

Interest income was \$22.5 million for the year ended December 31, 2025 compared to \$1.9 million for the same period in 2024 and was higher in 2025 because of higher cash and cash equivalents balances held.

Dividend income and other was \$6.9 million for the year ended December 31, 2025 compared to \$12.9 million for the same period in 2024. Dividend income for the year ended December 31, 2025 includes \$7.8 million (2024 - \$11.8 million) received from Sultran Ltd., one of the Company's Level Three Securities.

Deferred income tax expense was \$382.3 million for the year ended December 31, 2025 compared to \$60.9 million in 2024. The increase in deferred income tax expense in 2025 was primarily related to the gain on sale of oil and gas assets realized on the Grande Prairie Disposition.

CAPITAL EXPENDITURES AND LAND AND PROPERTY ACQUISITIONS

Capital Expenditures

| Year ended December 31 | 2025 | 2024 |
|---|--------------|--------------|
| Drilling, completion, equipping and tie-ins | 540.2 | 631.8 |
| Facilities and gathering | 238.9 | 210.3 |
| Drilling rigs | 8.5 | 8.4 |
| Corporate | 0.9 | (8.3) |
| Capital expenditures | 788.5 | 842.2 |
| Willesden Green | 569.6 | 233.5 |
| Kaybob | 121.3 | 172.6 |
| Sinclair | 64.9 | 14.5 |
| Fox Drilling | 8.5 | 8.4 |
| Corporate and other ⁽¹⁾ | 8.2 | (1.4) |
| Ongoing Operations | 772.5 | 427.6 |
| Sold Assets | 16.0 | 414.6 |
| Capital expenditures | 788.5 | 842.2 |

(1) Includes transfers of amounts held in Corporate to and from properties.

Land and Property Acquisitions

| Year ended December 31 | 2025 | 2024 |
|---------------------------------------|-------------|-------------|
| Land and property acquisitions | 87.6 | 14.3 |

Capital expenditures totaled \$788.5 million for the year ended December 31, 2025 compared to \$842.2 million in 2024. Significant capital program activities in 2025 included the following:

- Paramount drilled 27 (27.0 net) Duvernay wells and completed and brought onstream 22 (22.0 net) Duvernay wells at Willesden Green.
- Construction of the Company's wholly-owned and operated Alhambra Plant in Willesden Green was completed, with the first phase commencing operations in late-July 2025. Construction activities commenced for the second phase of the Alhambra Plant, which will double handling capacity when completed.
- The Company drilled eight (8.0 net) Duvernay wells and completed and brought onstream nine (9.0 net) Duvernay wells at Kaybob North.
- Paramount completed and flow tested the Company's first two (2.0 net) Montney appraisal wells and drilled an additional two (2.0 net) Montney appraisal wells at Sinclair. Following sanctioning of the Sinclair development in the fourth quarter of 2025, the Company also advanced the engineering and design of the Sinclair Plant and commenced the purchase of long-lead items for the plant and related infrastructure.

Land and property acquisitions totaled \$87.6 million in 2025 compared to \$14.3 million 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 18 – Capital Structure in the Consolidated Financial Statements for important additional information concerning these measures.

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

| As at December 31 | 2025 | 2024 |
|--|----------------|--------------|
| Cash and cash equivalents | (730.8) | (2.4) |
| Accounts receivable ⁽¹⁾ | (98.4) | (191.8) |
| Prepaid expenses and other | (16.8) | (17.4) |
| Accounts payable and accrued liabilities | 173.2 | 227.0 |
| Long-term debt | – | 173.0 |
| Net (cash) debt | (672.8) | 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 \$137.3 million carrying value of the Company's investments in securities as at December 31, 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 provisions 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 Revolving Credit Facility and the Term Loan Facility, which are further described below.

Based on the Company's current commodity pricing and foreign exchange rate assumptions and the forecasts of 2026 sales volumes set out in this MD&A under the "2026 Guidance" section, Paramount expects to fully fund its budgeted 2026 annual capital expenditures, abandonment and reclamation expenditures, provisions and regular monthly dividends from cash from operating activities, cash and cash equivalents and if required, borrowings under its currently undrawn credit facilities.

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 \$3,243 million through the Grande Prairie Disposition and repaid all remaining drawings outstanding under the Revolving Credit Facility in January 2025. In February 2025, the Company paid the \$2,148 million Special Distribution to shareholders. Paramount also realized cash proceeds of \$556 million in 2025 from the disposition of investments in securities, including \$519 million on the sales of its remaining 31.3 million NuVista Shares. In 2024, the Company realized 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.

Credit Facilities and Long-Term Debt

| As at December 31 | 2025 | 2024 |
|--|----------|--------------|
| Revolving Credit Facility ⁽¹⁾ | – | 173.0 |
| Term Loan Facility | – | – |
| Long-Term Debt | – | 173.0 |

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

The Revolving Credit Facility is a \$500 million financial covenant-based senior secured revolving bank credit facility with a syndicate of lenders. The facility has a maturity date of December 15, 2029 and is secured by a charge over substantially all of the assets of the Company and its subsidiaries (the "First Lien Charge").

At Paramount's request, the capacity of the Revolving Credit 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 ("Minimum Production").

Paramount also has a \$250 million non-revolving, non-amortizing, delayed draw term loan facility (the "Term Loan Facility") with Export Development Canada. The Company may make drawdowns under the Term Loan Facility to fund capital expenditures related to its Willesden Green and Sinclair developments (excluding the Sinclair Plant) prior to December 16, 2027, after which any undrawn availability will be cancelled.

The Term Loan Facility is prepayable without penalty or premium at any time, has a maturity date of December 15, 2030 and is secured by a charge over substantially all of the assets of the Company and its subsidiaries which is subordinated to the First Lien Charge.

Both the Revolving Credit Facility and the Term Loan Facility contain a covenant requiring prior lender consent for the payment of dividends and other distributions if the Senior Secured Debt to Consolidated EBITDA ratio is greater than 2.50 to 1.00, *pro forma* the payment of the distribution. In addition, until the Company achieves Minimum Production, prior lender consent under both the Revolving Credit Facility and the Term Loan Facility is generally required for distributions other than (i) any regular monthly dividend approved by Paramount's board of directors; or (ii) any repurchase by the Company of its Common Shares pursuant to a normal course issuer bid.

Paramount was in compliance with all financial covenants in the Revolving Credit Facility and the Term Loan Facility at December 31, 2025.

The Company had undrawn letters of credit outstanding under the Revolving Credit Facility totaling \$4.8 million at December 31, 2025 (December 31, 2024 – \$7.5 million) that reduce the amount available to be drawn on the facility.

For additional information concerning the Revolving Credit Facility and the Term Loan Facility, including a description of the financial covenants and the meaning of the Senior Secured Debt to Consolidated EBITDA ratio, refer to Note 8 in the Consolidated 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 December 31, 2025, \$33.0 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 December 31, 2025:

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

(1) Reference electricity rate: 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 December 31, 2025.

For additional information concerning the Company's cash flow hedges, refer to Note 14 in the Consolidated Financial Statements.

Paramount Options and Share Capital

In connection with the Special Distribution, in February 2025:

- i. all 0.5 million 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 for the year ended December 31, 2025 includes \$22.0 million in respect of the cash payments made by the Company on the surrender of 0.9 million Paramount Options.

For the year ended December 31, 2025, Paramount issued 2.0 million Common Shares on the exercise of Paramount Options for total cash consideration of \$16.5 million (2024 – 3.4 million Common Shares for total consideration of \$30.9 million).

During the year ended December 31, 2025, 1.3 million Common Shares were purchased under the Company's CBRSU plan at a total cost of \$20.2 million (2024 – 0.6 million Common Shares purchased at a total cost of \$18.8 million) and 1.5 million Common Shares having a cost of \$28.6 million were released to CBRSU plan participants (2024 – 0.6 million Common Shares released a cost of \$10.9 million).

At March 2, 2026, Paramount had 144.4 million Common Shares outstanding (net of 0.1 million Common Shares held in trust under the Company's CBRSU plan) and 8.4 million Paramount Options outstanding, of which 2.3 million Paramount Options are exercisable.

Dividends and Distributions

For the year ended December 31, 2025, Paramount declared and paid regular monthly cash dividends totaling \$0.70 per Common Share or \$101.1 million (2024 – \$1.70 per Common Share or \$248.2 million). Subsequent to December 31, 2025, the Company declared and paid two \$0.05 per Common Share regular monthly cash dividends totaling \$14.4 million. In March 2026, Paramount's Board of Directors declared a cash dividend of \$0.05 per Common Share to be payable on March 31, 2026 to shareholders of record on March 16, 2026.

In addition, Paramount paid the \$15.00 per Common Share Special Distribution totaling \$2,148 million 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.

Paramount previously implemented a normal course issuer bid in July 2024 (the "2024 NCIB"), which expired on July 7, 2025. In total, 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, including 4.9 million Common Shares purchased at a total cost of \$154.7 million in early-February 2025, prior to the Special Distribution.

FOURTH QUARTER RESULTS

Net Income (Loss)

| Three months ended December 31 | 2025 | 2024 |
|--|--------------|---------------|
| Petroleum and natural gas sales | 198.5 | 459.3 |
| Royalties | (11.3) | (48.5) |
| Sales of commodities purchased | 72.7 | 98.7 |
| Revenue | 259.9 | 509.5 |
| Gain (loss) on risk management contracts | 2.7 | (25.3) |
| | 262.6 | 484.2 |
| Expenses | | |
| Operating expense | 42.5 | 123.0 |
| Transportation and NGLs processing | 20.8 | 38.1 |
| Commodities purchased | 71.6 | 97.7 |
| General and administrative | 12.0 | 12.5 |
| Share-based compensation | 23.6 | 25.3 |
| Depletion and depreciation | 69.3 | 69.7 |
| Exploration and evaluation | 2.5 | 16.8 |
| Gain on sale of oil and gas assets | (0.4) | (0.1) |
| Accretion of asset retirement obligations | 6.0 | 10.6 |
| Provisions expense | 21.7 | – |
| Interest and financing expense | 1.2 | 2.9 |
| Interest income | (5.5) | (0.1) |
| Dividend income and other | (1.1) | (3.9) |
| | 264.2 | 392.5 |
| Income (loss) before tax | (1.6) | 91.7 |
| Income tax expense | | |
| Deferred | 0.3 | 4.3 |
| Net income (loss) | (1.9) | 87.4 |
| Net income (loss) per common share (\$/share) | | |
| Basic | (0.01) | 0.60 |
| Diluted | (0.01) | 0.59 |

Paramount recorded a net loss of \$1.9 million for the three months ended December 31, 2025 compared to net income of \$87.4 million in the same period in 2024. Significant factors contributing to the change are shown below:

| Three months ended December 31 | |
|---|--------------|
| Net income – 2024 | 87.4 |
| <ul style="list-style-type: none"> Lower netback in 2025 mainly due to the Grande Prairie Disposition and lower liquids prices in 2025, partially offset by a higher netback at Willesden Green in 2025 mainly due to higher sales volumes Provision expense in 2025 Gain on risk management contracts in 2025 compared to a loss in 2024 Lower exploration and evaluation expense in 2025 due to expired mineral leases in 2024 Higher interest income in 2025 Other | (125.7) |
| | (21.7) |
| | 28.0 |
| | 14.3 |
| | 5.4 |
| | 10.4 |
| Net loss – 2025 | (1.9) |

Cash From Operating Activities

| Three months ended December 31 | 2025 | 2024 |
|---------------------------------------|--------------|--------------|
| Operating activities | | |
| Net income (loss) | (1.9) | 87.4 |
| Add (deduct): | | |
| Items not involving cash | 117.7 | 148.1 |
| Asset retirement obligations settled | (9.4) | (11.9) |
| Provisions expense | 21.7 | – |
| Provisions settled | (4.1) | – |
| Change in non-cash working capital | 61.4 | (35.9) |
| Cash from operating activities | 185.4 | 187.7 |

Cash from operating activities for the three months ended December 31, 2025 was \$185.4 million compared to \$187.7 million for the same period in 2024. Significant factors contributing to the change are shown below:

| Three months ended December 31 | |
|--|---|
| Cash from operating activities – 2024 | 187.7 |
| <ul style="list-style-type: none"> • Lower netback in 2025 mainly due to the Grande Prairie Disposition, partially offset by a higher netback at Willesden Green in 2025 mainly due to higher sales volumes • Change in non-cash working capital • Higher receipts on risk management contract settlements in 2025 • Higher interest income in 2025 • Other | (125.7) 97.3 21.9 5.4 (1.2) |
| Cash from operating activities – 2025 | 185.4 |

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 December 31 | 2025 | 2024 |
|--|--------------|-------|
| Cash from operating activities | 185.4 | 187.7 |
| Change in non-cash working capital | (61.4) | 35.9 |
| Geological and geophysical expense | 2.6 | 2.3 |
| Asset retirement obligations settled | 9.4 | 11.9 |
| Provisions settled | 4.1 | – |
| Adjusted funds flow ⁽¹⁾ | 140.1 | 237.8 |
| Adjusted funds flow (\$/Boe) ⁽²⁾ | 32.43 | 25.21 |

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

(2) Adjusted funds flow (\$/Boe) is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.

Adjusted funds flow for the three months ended December 31, 2025 was \$140.1 million compared to \$237.8 million in the same period in 2024. Significant factors contributing to the change are shown below:

| Three months ended December 31 | |
|--|--------------|
| Adjusted funds flow – 2024 | 237.8 |
| <ul style="list-style-type: none"> • Lower netback in 2025 mainly due to the Grande Prairie Disposition, partially offset by a higher netback at Willesden Green in 2025 mainly due to higher sales volumes | (125.7) |
| <ul style="list-style-type: none"> • Higher receipts on risk management contract settlements in 2025 | 21.9 |
| <ul style="list-style-type: none"> • Higher interest income in 2025 | 5.4 |
| <ul style="list-style-type: none"> • Other | 0.7 |
| Adjusted funds flow – 2025 | 140.1 |

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 December 31 | 2025 | 2024 |
|---------------------------------------|---------------|-------------|
| Cash from operating activities | 185.4 | 187.7 |
| Change in non-cash working capital | (61.4) | 35.9 |
| Geological and geophysical expense | 2.6 | 2.3 |
| Asset retirement obligations settled | 9.4 | 11.9 |
| Provisions settled | 4.1 | – |
| Adjusted funds flow | 140.1 | 237.8 |
| Capital expenditures | (208.6) | (170.8) |
| Geological and geophysical expense | (2.6) | (2.3) |
| Asset retirement obligations settled | (9.4) | (11.9) |
| Provisions settled | (4.1) | – |
| Free cash flow ⁽¹⁾ | (84.6) | 52.8 |

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

Free cash flow for the three months ended December 31, 2025 was (\$84.6) million compared to \$52.8 million in the same period in 2024. Significant factors contributing to the change are shown below:

| Three months ended December 31 | |
|--|---------------|
| Free cash flow – 2024 | 52.8 |
| <ul style="list-style-type: none"> • Lower adjusted funds flow in 2025 (described in "Adjusted Funds Flow" section above) | (97.7) |
| <ul style="list-style-type: none"> • Higher capital expenditures in 2025 | (37.8) |
| <ul style="list-style-type: none"> • Provisions settled in 2025 | (4.1) |
| <ul style="list-style-type: none"> • Higher geological and geophysical expense in 2025 | (0.3) |
| <ul style="list-style-type: none"> • Lower asset retirement obligations settled in 2025 | 2.5 |
| Free cash flow – 2025 | (84.6) |

Netback

| Three months ended December 31 | 2025 | | 2024 | |
|--|--------------|----------------------------|--------------|----------------------------|
| | | (\$/Boe) ⁽¹⁾⁽²⁾ | | (\$/Boe) ⁽¹⁾⁽²⁾ |
| Natural gas revenue | 43.8 | 3.58 | 58.0 | 1.99 |
| Condensate and oil revenue | 137.3 | 76.66 | 379.4 | 96.26 |
| Other NGLs revenue | 13.3 | 27.15 | 21.3 | 34.32 |
| Natural gas transportation assignment income | 4.5 | 0.37 | 0.9 | 0.03 |
| Royalty income and other revenue | (0.4) | – | (0.3) | – |
| Petroleum and natural gas sales | 198.5 | 45.92 | 459.3 | 48.72 |
| Royalties | (11.3) | (2.61) | (48.5) | (5.14) |
| Operating expense | (42.5) | (9.84) | (123.0) | (13.05) |
| Transportation and NGLs processing | (20.8) | (4.81) | (38.1) | (4.04) |
| Sales of commodities purchased | 72.7 | 16.82 | 98.7 | 10.46 |
| Commodities purchased | (71.6) | (16.56) | (97.7) | (10.36) |
| Netback ⁽³⁾ | 125.0 | 28.92 | 250.7 | 26.59 |
| Risk management contract settlements | 20.4 | 4.73 | (1.5) | (0.16) |
| Netback including risk management contract settlements ⁽⁴⁾ | 145.4 | 33.65 | 249.2 | 26.43 |

(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) 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.

(4) 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.

The following table provides selected operating results of the Company for the three months ended December 31, 2025 and 2024, separated between Ongoing Operations and the Sold Assets:

| | Three months ended December 31 | | | | | | | | | | | |
|---|--------------------------------|--------------|---------------|--------------------|--------------|---------------|--------|---------|--------|---------|---------|---------|
| | 2025 | | | 2024 | | | | | | | | |
| | Ongoing Operations | Sold Assets | Total Company | Ongoing Operations | Sold Assets | Total Company | | | | | | |
| Sales Volumes (Boe/d) ⁽¹⁾ | 46,973 | – | 46,973 | 31,413 | 71,064 | 102,477 | | | | | | |
| % Liquids | 53% | – | 53% | 45% | 50% | 48% | | | | | | |
| | \$/Boe | \$/Boe | \$/Boe | \$/Boe | \$/Boe | \$/Boe | | | | | | |
| Petroleum and natural gas sales | 198.5 | 45.92 | – | – | 198.5 | 45.92 | 126.2 | 43.67 | 333.1 | 50.95 | 459.3 | 48.72 |
| Royalties | (11.3) | (2.61) | – | – | (11.3) | (2.61) | (6.6) | (2.29) | (41.9) | (6.41) | (48.5) | (5.14) |
| Operating expense | (42.5) | (9.84) | – | – | (42.5) | (9.84) | (33.7) | (11.66) | (89.3) | (13.66) | (123.0) | (13.05) |
| Transportation and NGLs processing | (20.8) | (4.81) | – | – | (20.8) | (4.81) | (9.9) | (3.44) | (28.2) | (4.31) | (38.1) | (4.04) |
| Sales of commodities purchased | 72.7 | 16.82 | – | – | 72.7 | 16.82 | 98.7 | 34.14 | – | – | 98.7 | 10.46 |
| Commodities purchased | (71.6) | (16.56) | – | – | (71.6) | (16.56) | (97.7) | (33.80) | – | – | (97.7) | (10.36) |
| Netback ⁽²⁾ | 125.0 | 28.92 | – | – | 125.0 | 28.92 | 77.0 | 26.62 | 173.7 | 26.57 | 250.7 | 26.59 |
| Capital expenditures | 208.6 | – | 208.6 | 115.0 | 55.8 | 170.8 | | | | | | |

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

(2) Netback is a non-GAAP financial measure and 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.

Fourth quarter 2025 petroleum and natural gas sales were \$198.5 million compared to \$459.3 million for the same period in 2024. The decrease in 2025 was due the Grande Prairie Disposition.

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

| | Natural gas | Condensate and oil | Other NGLs | Natural gas transportation assignment and royalty income and other revenue | Total |
|--|-------------|--------------------|-------------|--|--------------|
| Three months ended December 31, 2024 | 58.0 | 379.4 | 21.3 | 0.6 | 459.3 |
| Effect of changes in sales volumes | (33.6) | (207.0) | (4.5) | – | (245.1) |
| Effect of changes in prices | 19.4 | (35.1) | (3.5) | – | (19.2) |
| Change in natural gas transportation assignment and royalty income and other revenue | – | – | – | 3.5 | 3.5 |
| Three months ended December 31, 2025 | 43.8 | 137.3 | 13.3 | 4.1 | 198.5 |

Sales Volumes

| | Three months ended December 31 | | | | | | | | | | | |
|---------------------------|-------------------------------------|--------------|--------------|---|---------------|--------------|-----------------------------------|--------------|--------------|------------------------------|----------------|--------------|
| | 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 |
| Willesden Green | 58.7 | 23.1 | 154% | 12,042 | 3,358 | 259% | 3,926 | 1,284 | 206% | 25,752 | 8,488 | 203% |
| Kaybob | 71.9 | 80.0 | (10%) | 7,037 | 7,626 | (8%) | 1,368 | 1,480 | (8%) | 20,387 | 22,441 | (9%) |
| Other | 2.5 | 0.3 | 733% | 393 | 409 | (4%) | 24 | 12 | 100% | 834 | 484 | 72% |
| Ongoing Operations | 133.1 | 103.4 | 29% | 19,472 | 11,393 | 71% | 5,318 | 2,776 | 92% | 46,973 | 31,413 | 50% |
| Sold Assets | – | 213.9 | (100%) | – | 31,442 | (100%) | – | 3,977 | (100%) | – | 71,064 | (100%) |
| Total | 133.1 | 317.3 | (58%) | 19,472 | 42,835 | (55%) | 5,318 | 6,753 | (21%) | 46,973 | 102,477 | (54%) |

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

Total Company sales volumes averaged 46,973 Boe/d (53% liquids) in the fourth quarter of 2025 compared to 102,477 Boe/d (48% liquids) in the same period in 2024. The decrease in total Company sales volumes in 2025 was due to the Grande Prairie Disposition.

Sales volumes from Ongoing Operations averaged 46,973 Boe/d (53% liquids) in the fourth quarter of 2025 compared to 31,413 Boe/d (45% liquids) in the same period in 2024. The increase in Ongoing Operations sales volumes in 2025 was mainly due to higher Willesden Green sales volumes.

Sales volumes at Willesden Green were 25,752 Boe/d (62% liquids) in the fourth quarter of 2025 compared to 8,488 Boe/d (55% liquids) in the same period in 2024. Construction of the first phase of the Company's wholly-owned and operated Alhambra Plant was completed early in the third quarter of 2025, with first sales volumes achieved in late-July 2025. Paramount brought onstream nine new Duvernay wells in the fourth quarter of 2025 and a total of 22 new Duvernay wells in 2025 at Willesden Green.

Kaybob sales volumes averaged 20,387 Boe/d (41% liquids) in the fourth quarter of 2025 compared to 22,441 Boe/d (41% liquids) in the same period in 2024. Paramount brought onstream nine Duvernay wells at Kaybob North in 2025, partially offsetting declines.

Commodity Prices

| Three months ended December 31 | 2025 | 2024 | % Change |
|--|-------|-------|----------|
| Natural Gas ⁽¹⁾ | | | |
| Paramount realized natural gas price (\$/Mcf) | 3.58 | 1.99 | 80 |
| AECO daily spot (\$/GJ) | 2.11 | 1.40 | 51 |
| AECO monthly index (\$/GJ) | 2.22 | 1.38 | 61 |
| Dawn (\$/MMBtu) | 4.88 | 3.16 | 54 |
| NYMEX (US\$/MMBtu) | 4.07 | 2.99 | 36 |
| Malin daily index (US\$/MMBtu) | 2.89 | 2.48 | 17 |
| Emerson 2 daily index (US\$/MMBtu) | 2.33 | 1.55 | 50 |
| Condensate and Oil ⁽¹⁾ | | | |
| Paramount realized condensate & oil price (\$/Bbl) | 76.66 | 96.26 | (20) |
| Edmonton light sweet crude oil (\$/Bbl) | 76.54 | 92.69 | (17) |
| Edmonton condensate (\$/Bbl) | 81.02 | 98.82 | (18) |
| West Texas Intermediate crude oil (US\$/Bbl) | 59.14 | 70.27 | (16) |
| Other NGLs ⁽¹⁾ | | | |
| Paramount realized Other NGLs price (\$/Bbl) | 27.15 | 34.32 | (21) |
| Conway – propane (\$/Bbl) | 34.92 | 43.21 | (19) |
| Belvieu – butane (\$/Bbl) | 48.65 | 66.13 | (26) |
| Foreign Exchange | | | |
| \$ / 1 \$US | 1.39 | 1.40 | (1) |

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

In the fourth quarter of 2025, Paramount's natural gas sales portfolio included arrangements to sell approximately 53,300 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 fourth quarter of 2024 included arrangements to sell approximately 60,000 GJ/d of natural gas at Dawn, approximately 22,000 GJ/d of natural gas at Malin and approximately 13,300 GJ/d of natural gas at Emerson.

Total Company royalties were \$11.3 million (\$2.61/Boe) in the fourth quarter of 2025 compared to \$48.5 million (\$5.14/Boe) in the same period in 2024. Royalty rates were 5.8 percent in the fourth quarter of 2025 compared to 10.6 percent in the same period in 2024. Royalties and royalty rates decreased compared to the fourth quarter of 2025 due to the Grande Prairie Disposition.

Royalties relating to Ongoing Operations were \$11.3 million (\$2.61/Boe) in the fourth quarter of 2025 compared to \$6.6 million (\$2.29/Boe) in the same period in 2024. Royalties relating to Ongoing Operations increased in the fourth quarter of 2025 mainly due to higher petroleum and natural gas sales. Royalty rates for Ongoing Operations were approximately five percent in both periods.

Total Company operating expense was \$42.5 million (\$9.84/Boe) in the fourth quarter of 2025 compared to \$123.0 million (\$13.05/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 \$42.5 million (\$9.84/Boe) in the fourth quarter of 2025 compared to \$33.7 million (\$11.66/Boe) in the same period in 2024. With the new Alhambra Plant being brought onstream in the third quarter of 2025 and Willesden Green sales volumes increasing, Ongoing Operations operating expense was higher in 2025. Ongoing Operations per unit operating

expense in 2025 was lower mainly as a result of a greater proportion of sales volumes at Willesden Green, which had a property-level operating expense of \$4.71/Boe in the fourth quarter of 2025.

Total Company transportation and NGLs processing expense was \$20.8 million (\$4.81/Boe) in the fourth quarter of 2025 compared to \$38.1 million (\$4.04/Boe) in the same period in 2024. The decrease was due to the Grande Prairie Disposition. The acquiror of the Sold Assets assumed Paramount's processing and transportation commitments related to these assets in connection with the Grande Prairie Disposition.

Transportation and NGLs processing expense relating to Ongoing Operations was \$20.8 million (\$4.81/Boe) in the fourth quarter of 2025 compared to \$9.9 million (\$3.44/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 natural gas transportation capacity is to markets outside of Alberta, which have a higher per unit cost. With the Alhambra Plant coming onstream in the third quarter of 2025, transportation and NGLs processing expense was also higher due to new contracted transportation capacity for Willesden Green sales volumes commencing.

Sales of commodities purchased were \$72.7 million in the fourth quarter of 2025 compared \$98.7 million in the same period in 2024. Commodities purchased were \$71.6 million in the fourth quarter of 2025 compared to \$97.7 million in the same period in 2024.

The Company recorded a provision expense of \$21.7 million in the fourth quarter of 2025 related to a pipeline release, which is further described in the "Operating Results – Other Items" section of this MD&A.

Depletion and depreciation expense was \$69.3 million in the fourth quarter of 2025 compared to \$69.7 million in the same period in 2024. The Sold Assets were not subject to depletion and depreciation in 2024 as they were presented as held for sale.

Capital Expenditures by Property

| Three months ended December 31 | 2025 | 2024 |
|---|--------------|--------------|
| Drilling, completion, equipping and tie-ins | 121.2 | 111.4 |
| Facilities and gathering | 94.4 | 58.5 |
| Drilling rigs | 2.2 | 0.9 |
| Corporate | (9.2) | – |
| Capital expenditures | 208.6 | 170.8 |
| Willesden Green | 158.3 | 76.7 |
| Kaybob | 20.8 | 18.8 |
| Sinclair | 35.0 | 13.9 |
| Fox Drilling | 2.2 | 0.9 |
| Corporate and other ⁽¹⁾ | (7.7) | 4.7 |
| Ongoing Operations | 208.6 | 115.0 |
| Sold Assets | – | 55.8 |
| Capital expenditures | 208.6 | 170.8 |

(1) Includes transfers of amounts held in Corporate to and from properties.

Capital expenditures in the fourth quarter of 2025 totaled \$208.6 million, with the majority of spending directed towards drilling, completion and facility expansion activities at Willesden Green, drilling and facilities activities at Sinclair and drilling activities at Kaybob North Duvernay.

Land and property acquisitions totaled \$66.0 million in the fourth quarter of 2025 compared to \$10.9 million in the same period in 2024.

Investments in Securities

In the fourth quarter of 2025, Paramount sold all 31.3 million NuVista Shares held by it for aggregate cash proceeds of \$519.2 million.

QUARTERLY INFORMATION

| | 2025 | | | | 2024 | | | |
|--|---------------|---------|--------|---------|---------|--------|--------|---------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Petroleum and natural gas sales | 198.5 | 144.2 | 127.2 | 266.6 | 459.3 | 404.8 | 443.6 | 452.3 |
| Revenue | 259.9 | 191.1 | 165.2 | 349.6 | 509.5 | 438.0 | 461.9 | 445.2 |
| Net income (loss) | (1.9) | (2.3) | 4.2 | 1,288.8 | 87.4 | 95.8 | 84.5 | 68.1 |
| <i>Per share – basic (\$/share)</i> | (0.01) | (0.02) | 0.03 | 8.90 | 0.60 | 0.65 | 0.58 | 0.47 |
| <i>Per share – diluted (\$/share)</i> | (0.01) | (0.02) | 0.03 | 8.74 | 0.59 | 0.64 | 0.57 | 0.46 |
| Cash from operating activities | 185.4 | 42.3 | 39.8 | 149.9 | 187.7 | 205.7 | 220.5 | 201.3 |
| <i>Per share – basic (\$/share) ⁽¹⁾</i> | 1.29 | 0.30 | 0.28 | 1.03 | 1.28 | 1.40 | 1.51 | 1.39 |
| <i>Per share – diluted (\$/share) ⁽¹⁾</i> | 1.29 | 0.30 | 0.27 | 1.02 | 1.26 | 1.38 | 1.47 | 1.35 |
| Adjusted funds flow ⁽¹⁾ | 140.1 | 96.8 | 81.5 | 149.1 | 237.8 | 200.7 | 266.2 | 225.6 |
| <i>Per share – basic (\$/share)</i> | 0.97 | 0.67 | 0.57 | 1.03 | 1.62 | 1.37 | 1.82 | 1.56 |
| <i>Per share – diluted (\$/share)</i> | 0.97 | 0.67 | 0.56 | 1.01 | 1.59 | 1.34 | 1.78 | 1.52 |
| Free cash flow ⁽¹⁾ | (84.6) | (124.5) | (85.5) | (90.6) | 52.8 | (26.3) | 20.3 | (9.5) |
| <i>Per share – basic (\$/share)</i> | (0.59) | (0.87) | (0.60) | (0.63) | 0.36 | (0.18) | 0.14 | (0.07) |
| <i>Per share – diluted (\$/share)</i> | (0.59) | (0.87) | (0.60) | (0.63) | 0.35 | (0.18) | 0.14 | (0.07) |
| Dividends and distributions declared (\$/share) | 0.15 | 0.15 | 0.15 | 15.25 | 0.45 | 0.45 | 0.425 | 0.375 |
| Sales volumes | | | | | | | | |
| Natural gas (MMcf/d) | 133.1 | 112.4 | 103.3 | 179.6 | 317.3 | 294.5 | 296.8 | 318.7 |
| Condensate and oil (Bbl/d) | 19,472 | 13,997 | 11,636 | 20,542 | 42,835 | 38,770 | 39,206 | 40,908 |
| Other NGLs (Bbl/d) | 5,318 | 3,363 | 2,786 | 3,934 | 6,753 | 7,045 | 6,928 | 6,954 |
| Total (Boe/d) | 46,973 | 36,087 | 31,631 | 54,409 | 102,477 | 94,892 | 95,609 | 100,977 |
| Liquids % | 53% | 48% | 46% | 45% | 48% | 48% | 48% | 47% |
| Realized prices ⁽¹⁾ | | | | | | | | |
| Natural gas (\$/Mcf) | 3.58 | 1.96 | 3.07 | 3.25 | 1.99 | 1.37 | 1.69 | 2.84 |
| Condensate and oil (\$/Bbl) | 76.66 | 82.01 | 82.84 | 97.70 | 96.26 | 96.15 | 103.07 | 92.64 |
| Other NGLs (\$/Bbl) | 27.15 | 27.04 | 27.02 | 40.47 | 34.32 | 36.25 | 33.07 | 37.81 |
| Petroleum and natural gas (\$/Boe) | 45.92 | 43.43 | 44.20 | 54.43 | 48.72 | 46.37 | 50.99 | 49.24 |

(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 (loss) per share, is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures. In the fourth quarter of 2025, the Company updated its free cash flow measure to deduct provisions settled. Free cash flow for the third quarter of 2025 was updated to conform to this updated method of calculation. There was no impact to free cash flow of other periods presented as a result of this update.

Significant Items Impacting Quarterly Results

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

- Fourth quarter 2025 earnings include an additional provision expense of \$21.7 million relating to a pipeline release.
- Third quarter 2025 earnings include a provision expense of \$16.9 million relating to a pipeline release and \$5.3 million of income related to the final resolution of Paramount's insurance claims for 2023 Alberta wildfire business interruption losses.
- 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 business interruption 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 business interruption 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.

OTHER INFORMATION

Contractual Obligations

Paramount had the following contractual obligations at December 31, 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 | 71.1 | 220.3 | 220.5 | 694.5 | 1,206.4 |
| Finance lease, materials purchase and other commitments | 25.2 | 11.0 | 6.5 | 16.5 | 59.2 |
| | 96.3 | 231.3 | 227.0 | 711.0 | 1,265.6 |

(1) Excludes risk management liabilities and accounts payable and accrued liabilities, which are described in Note 14 in the Consolidated 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.

Contingencies

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

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

NEW AND UPDATED ACCOUNTING POLICIES AND STANDARDS

Future Changes in Accounting Standards

In April 2024, the International Accounting Standards Board ("IASB") issued *IFRS 18 – Presentation and Disclosure in Financial Statements*, which replaces *IAS 1 – Presentation of Financial Statements* and establishes a revised structure for the consolidated statements of comprehensive income, required disclosures for certain management-defined performance measures and additional requirements for the grouping of information in the financial statements. IFRS 18 is effective for fiscal years beginning on or after January 1, 2027, with early adoption permitted. Paramount expects that as a result of the adoption of IFRS 18, in addition to the items mentioned above, certain items will be reclassified from operating activities in the consolidated statements of cash flows to financing and investing activities. In particular, interest and financing expenses will be reclassified as financing activities and interest income and dividend income will be reclassified as investing activities. In addition, operating profit will replace net income as the starting point for determining cash flows from operating activities.

In May 2024, the IASB issued amendments to *IFRS 9 – Financial Instruments* and *IFRS 7 – Financial Instruments: Disclosures*. These amendments clarify the date of recognition and derecognition of financial assets and liabilities, including the settling of financial liabilities using an electronic payment system, and the classification of certain financial assets. In addition, there are new disclosure requirements related to equity instruments designated as fair value through other comprehensive income. These amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted. As a result of the adoption of these amendments, Paramount expects to increase cash and cash equivalents and accounts payable and accrued liabilities balances for the amount of outstanding cheques at the end of each reporting period.

DISCLOSURE CONTROLS AND PROCEDURES

As of the year ended December 31, 2025, an evaluation of the effectiveness of Paramount's disclosure controls and procedures ("DCP"), as defined under National Instrument 52-109 "*Certification of Disclosure in Issuers' Annual and Interim Filings*" ("NI 52-109"), was performed by the Company's Management under the supervision of the Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's DCP are effective as of December 31, 2025.

It should be noted that while the Company's DCP are intended to provide a reasonable level of assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in securities legislation, disclosure controls and procedures cannot be expected to prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management, under the supervision of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting ("ICFR") as defined under NI 52-109 as at December 31, 2025. In making its evaluation, Management used the Committee of Sponsoring Organizations of the Treadway Commission Framework in Internal Control – Integrated Framework (2013). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's ICFR was effective as of December 31, 2025.

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.

During the year ended December 31, 2025, there was no change in the Company's ICFR that materially affected, or is reasonably likely to materially affect, the Company's ICFR.

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.

The United States has imposed import tariffs on goods from certain major trading partners, including Canada. As of the date of this MD&A these tariffs include: (i) a 10 percent import duty on products imported into the United States, excluding energy and energy products and other specified products and excluding products that are compliant under the Canada-United States-Mexico Agreement ("CUSMA") and (ii) a 50 percent tariff on steel, aluminum and copper imports. Canada has imposed certain import tariffs on the United States and other trading partners which remain in effect at the date of this MD&A, including a 25 percent retaliatory tariff on United States steel and aluminum products and 25 percent tariffs on global imports of select steel derivative products. Further, tariff rate quota levels for imported steel products have been set to 20 percent of 2024 levels for non-free trade agreement partners of Canada and 75 percent of 2024 levels for non-CUSMA free-trade agreement partners, with imports over the specified quotas being subject to a 25 percent tariff.

The first joint review of CUSMA by Canada, the United States and Mexico must be completed by July 1, 2026. Upon completion of the review, each country must confirm in writing whether it wishes to extend CUSMA for another 16 years, until 2042. If all three parties agree, the agreement is extended, and the next review will be scheduled for 2032. If any party does not confirm its support of an extension, CUSMA remains in force, but annual joint reviews must take place until the agreement's scheduled expiry in 2036. In addition, any party may withdraw from CUSMA at any time by providing six months' written notice. If only one country withdraws, the agreement continues in force between the remaining two.

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 implemented between the United States and Canada or between the United States or Canada 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 or Canada and other nations; and/or (iv) action will be taken to amend or terminate existing trade agreements, including CUSMA.

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 announced 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".

The recent initiation of hostilities in the Middle East has resulted in additional volatility in global financial and commodity markets which could increase the Company's exposure to the risks described in the "Risk Factors" section of the Annual Information Form under "Volatility of Oil, NGLs and Natural Gas Prices and Price Differentials", "Market Price of Common Shares", "Investment Risk" and "Hedging, Interest Rates and Foreign Exchange Rates".

CRITICAL ACCOUNTING ESTIMATES

The timely preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures regarding contingent assets and liabilities. Estimates and assumptions are regularly evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in judgments, estimates and assumptions based on new information could result in a material change to the carrying amount of assets or liabilities and have a material impact on assets, liabilities, revenues and expenses recognized in future periods.

A description of the accounting judgments, estimates and assumptions that are considered significant is set out below.

Reserves Estimates

Reserves engineering is an inherently complex and subjective process of estimating underground accumulations of petroleum and natural gas. The process relies on judgments based on the interpretation of available geological, geophysical, engineering and production data. The accuracy of a reserves estimate is a function of the quality and quantity of available data, the interpretation of such data, the accuracy of various economic assumptions and the judgment of those preparing the estimate. Because these estimates depend on many assumptions, all of which may differ from actual results, reserves estimates, and estimates of future net revenue will be different from the sales volumes ultimately recovered and net revenues actually realized. Changes in market conditions, regulatory matters, the results of subsequent drilling, testing and production and other factors may result in revisions to the original estimates.

Reserves estimates impact the assessment of whether a new well has found economically recoverable reserves, depletion rates, the estimated fair value of petroleum and natural gas properties acquired in a business combination, the estimated recoverable amount of petroleum and natural gas properties used for

the purposes of impairment and impairment reversal assessments and the estimated timing of payments to settle asset retirement obligations. Changes in reserves estimates could impact these and other matters resulting in a material impact on net earnings. The Company's petroleum and natural gas reserves have been evaluated at December 31, 2025 and 2024 by an independent qualified reserves evaluator ("IQRE").

Exploration or Development

The Company is required to apply judgment when initially designating a project as exploration and evaluation ("E&E") or development, including assessments of geological and technical characteristics and other factors related to each project.

Exploration and Evaluation Projects

The accounting for E&E projects requires Management to make judgments as to whether exploratory projects have discovered economically recoverable quantities of petroleum and natural gas, which requires the quantity and realizable value of such petroleum and natural gas to be estimated. Previous estimates are sometimes revised as new information becomes available. Where it is determined that an exploratory project did not discover economically recoverable petroleum and natural gas, the costs are written-off as E&E expense.

If hydrocarbons are encountered, but further appraisal activity is required, the exploratory costs remain capitalized as long as sufficient progress is being made in assessing whether the recovery of the petroleum and natural gas is economically viable. The concept of "sufficient progress" is a judgmental area, and it is possible for exploratory costs to remain capitalized for several years while additional exploratory activities are carried out or the Company seeks regulatory, partner or other approvals for development plans. E&E assets are subject to ongoing technical, commercial and Management review to confirm the continued intent to establish the technical feasibility and commercial viability of the project. Factors considered by Management in making this assessment may include: project economics, expected quantities of petroleum and natural gas, expected production techniques, drilling results, estimated capital expenditures and production costs, results of other operators in the region and access to infrastructure and potential infrastructure expansions. Where it is determined that an exploratory project is not economically viable, the costs are written-off as E&E expense.

Estimates of Recoverable Amounts

Impairment and impairment reversal assessments are performed when Management identifies an indicator of impairment or impairment reversal. In assessing the existence of impairment or impairment reversal indicators, Management exercises judgment and considers a number of internal and external factors. Estimates of recoverable amounts used in impairment and impairment reversal assessments often incorporate level three fair value hierarchy inputs, including volumes of and the net present value of future net revenues from proved plus probable reserves estimated by Paramount's IQRE, contingent resource estimates, future net cash flow estimates related to other long-lived assets and internal and external market metrics used to estimate fair value based on comparable assets and transactions. By their nature, such estimates are subject to measurement uncertainty. Changes in such estimates and differences between actual and estimated amounts could materially affect the carrying value of assets and have a material impact on net earnings.

Determination of CGUs

The recoverability of the carrying value of petroleum and natural gas assets is generally assessed at the cash generating unit ("CGU") level. The determination of the properties and other assets grouped within a particular CGU is based on Management's judgment with respect to the integration between assets, shared infrastructure and cash flows, the overall significance of individual properties and the manner in which Management monitors its operations and allocates capital. Changes in the assets comprising a CGU could have an impact on estimated recoverable amounts used in impairment assessments and could have a material impact on the carrying value of assets and net earnings.

Depletion

Depletion rates are determined based on Management's estimates of the expected usage pattern of the Company's petroleum and natural gas assets, including assumptions regarding future production volumes, future development capital and the useful lives of production equipment and gathering systems.

Investments in Securities

The Company's investments in securities are accounted for as fair value through OCI financial assets. Management is required to exercise judgment in estimating the fair value of investments in the securities of corporations that are not publicly traded using available market inputs and other assumptions. Changes in estimates of fair value for such investments could have a material impact on the carrying value of such investments and comprehensive income.

Provisions and Contingent Liabilities

The determination of provisions and disclosure of contingent liabilities involves Management judgments about the probable outcomes of future events and estimates concerning the timing and amount of expected future cash flows. The actual amount and timing of payments to settle provisions may differ materially from estimates.

Asset Retirement Obligations

The Company provides for asset retirement obligations relating to its petroleum and natural gas properties based on current legislation and operating practices. In estimating future asset retirement obligations, the Company makes assumptions concerning, among other things:

- i. the nature and scope of work required to abandon and reclaim properties and the costs thereof, which incorporate the Company's prior experience in abandoning properties with similar characteristics, any site-specific assessments and other available benchmarks;
- ii. the dates that abandonment and reclamation work will be performed in the future, which incorporates expectations of the productive lives of properties and the requirements of applicable laws; and
- iii. the inflation rate and the credit-adjusted risk-free discount rate.

The actual amount and timing of payments to settle asset retirement obligations may materially differ from estimates due to, among other things, changes in laws and regulations, changes in technology, changes in operating practices, discovery and analysis of site conditions, revisions to work scope and changes in the life of petroleum and nature gas reserves. These differences may also have a material impact on the Company's estimate of its asset retirement obligations in the future.

Share-Based Payments

The Company estimates the grant date fair value of Paramount Options awarded using the Black-Scholes model. The inputs used to determine the estimated fair value of Paramount Options are based on assumptions regarding share price volatility, the life of the options, forfeiture rates, the risk-free interest rate and the dividend yield on the Common Shares. By their nature, these inputs are subject to measurement uncertainty and require Management to exercise judgment.

Income Taxes

Accounting for income taxes is a complex process requiring Management to interpret frequently changing laws and regulations and make judgments and estimates related to the application of tax law, the timing of temporary difference reversals and the likelihood of realizing deferred income tax assets. All tax filings are subject to subsequent government audits and potential reassessment. These interpretations and judgments, and changes related to them, impact current and deferred income tax provisions and the carrying value of deferred income tax assets and liabilities and could have a material impact on net earnings.

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 | | | | Annual | | |
|--|---------------|--------|--------|--------|---------|--------|--------|---------|--------|--------|--------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | 2025 | 2024 | 2023 |
| SALES VOLUMES – TOTAL COMPANY BY PRODUCT TYPE | | | | | | | | | | | |
| Shale gas (MMcf/d) | 96.5 | 72.8 | 58.9 | 134.2 | 269.2 | 249.0 | 243.1 | 268.5 | 90.4 | 257.5 | 265.2 |
| Conventional natural gas (MMcf/d) | 36.6 | 39.6 | 44.4 | 45.4 | 48.1 | 45.5 | 53.7 | 50.2 | 41.5 | 49.3 | 49.9 |
| Natural gas (MMcf/d) | 133.1 | 112.4 | 103.3 | 179.6 | 317.3 | 294.5 | 296.8 | 318.7 | 131.9 | 306.8 | 315.1 |
| Condensate (Bbl/d) | 17,777 | 12,180 | 9,688 | 18,922 | 41,243 | 36,830 | 36,825 | 38,332 | 14,632 | 38,311 | 35,148 |
| Other NGLs (Bbl/d) | 5,318 | 3,363 | 2,786 | 3,934 | 6,753 | 7,045 | 6,928 | 6,954 | 3,853 | 6,920 | 6,226 |
| NGLs (Bbl/d) | 23,095 | 15,543 | 12,474 | 22,856 | 47,996 | 43,875 | 43,753 | 45,286 | 18,485 | 45,231 | 41,374 |
| Light and medium crude oil (Bbl/d) | 1,065 | 1,188 | 1,263 | 971 | 792 | 1,235 | 1,566 | 1,595 | 1,122 | 1,296 | 1,469 |
| Tight oil (Bbl/d) | 238 | 254 | 285 | 291 | 393 | 368 | 466 | 592 | 267 | 454 | 616 |
| Heavy crude oil (Bbl/d) | 392 | 375 | 400 | 358 | 407 | 337 | 349 | 389 | 381 | 371 | 424 |
| Crude oil (Bbl/d) | 1,695 | 1,817 | 1,948 | 1,620 | 1,592 | 1,940 | 2,381 | 2,576 | 1,770 | 2,121 | 2,509 |
| Total (Boe/d) | 46,973 | 36,087 | 31,631 | 54,409 | 102,477 | 94,892 | 95,609 | 100,977 | 42,238 | 98,490 | 96,393 |

SALES VOLUMES – BY PROPERTY BY PRODUCT TYPE

| WILLESDEN GREEN | | | | | | | | | | | |
|------------------------------------|---------------|--------|-------|-------|-------|-------|-------|-------|--------|-------|-------|
| Shale gas (MMcf/d) | 56.1 | 30.3 | 19.4 | 17.6 | 19.7 | 14.2 | 17.7 | 19.7 | 31.0 | 17.8 | 9.0 |
| Conventional natural gas (MMcf/d) | 2.6 | 2.8 | 3.0 | 3.4 | 3.4 | 3.6 | 4.5 | 2.2 | 2.9 | 3.4 | 4.8 |
| Natural gas (MMcf/d) | 58.7 | 33.1 | 22.4 | 21.0 | 23.1 | 17.8 | 22.2 | 21.9 | 33.9 | 21.2 | 13.8 |
| Condensate (Bbl/d) | 11,843 | 5,701 | 3,759 | 2,991 | 3,118 | 1,963 | 2,272 | 3,233 | 6,097 | 2,645 | 1,060 |
| Other NGLs (Bbl/d) | 3,926 | 2,132 | 1,517 | 1,179 | 1,284 | 918 | 1,149 | 1,138 | 2,196 | 1,122 | 741 |
| NGLs (Bbl/d) | 15,769 | 7,833 | 5,276 | 4,170 | 4,402 | 2,881 | 3,421 | 4,371 | 8,293 | 3,767 | 1,801 |
| Light and medium crude oil (Bbl/d) | 21 | 22 | 22 | 28 | 20 | 11 | 22 | 22 | 23 | 19 | 29 |
| Tight oil (Bbl/d) | 178 | 190 | 211 | 234 | 220 | 160 | 239 | 239 | 203 | 214 | 306 |
| Crude oil (Bbl/d) | 199 | 212 | 233 | 262 | 240 | 171 | 261 | 261 | 226 | 233 | 335 |
| Total (Boe/d) | 25,752 | 13,550 | 9,223 | 7,929 | 8,488 | 6,014 | 7,386 | 8,268 | 14,161 | 7,537 | 4,438 |

| KAYBOB | | | | | | | | | | | |
|------------------------------------|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Shale gas (MMcf/d) | 38.1 | 36.7 | 39.5 | 39.7 | 35.7 | 31.8 | 35.8 | 30.6 | 38.4 | 33.5 | 28.2 |
| Conventional natural gas (MMcf/d) | 33.8 | 36.6 | 41.2 | 41.8 | 44.3 | 41.6 | 48.8 | 47.7 | 38.4 | 45.6 | 44.6 |
| Natural gas (MMcf/d) | 71.9 | 73.3 | 80.7 | 81.5 | 80.0 | 73.4 | 84.6 | 78.3 | 76.8 | 79.1 | 72.8 |
| Condensate (Bbl/d) | 5,933 | 6,478 | 5,928 | 5,500 | 6,794 | 5,943 | 6,617 | 6,038 | 5,962 | 6,348 | 2,655 |
| Other NGLs (Bbl/d) | 1,368 | 1,223 | 1,263 | 1,292 | 1,480 | 1,403 | 1,599 | 1,480 | 1,287 | 1,490 | 1,070 |
| NGLs (Bbl/d) | 7,301 | 7,701 | 7,191 | 6,792 | 8,274 | 7,346 | 8,216 | 7,518 | 7,249 | 7,838 | 3,725 |
| Light and medium crude oil (Bbl/d) | 1,044 | 1,166 | 1,241 | 943 | 772 | 1,224 | 1,544 | 1,573 | 1,099 | 1,277 | 1,440 |
| Tight oil (Bbl/d) | 60 | 64 | 74 | 57 | 60 | 85 | 80 | 212 | 64 | 109 | 158 |
| Crude oil (Bbl/d) | 1,104 | 1,230 | 1,315 | 1,000 | 832 | 1,309 | 1,624 | 1,785 | 1,163 | 1,386 | 1,598 |
| Total (Boe/d) | 20,387 | 21,155 | 21,962 | 21,371 | 22,441 | 20,894 | 23,946 | 22,353 | 21,216 | 22,404 | 17,449 |

| | 2025 | | | | 2024 | | | | Annual | | |
|-----------------------------------|------------|--------------|------------|------------|------------|------------|------------|--------------|------------|--------------|--------------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | 2025 | 2024 | 2023 |
| OTHER | | | | | | | | | | | |
| Shale gas (MMcf/d) | 2.3 | 5.8 | – | – | – | – | 2.6 | 16.7 | 2.0 | 4.8 | 18.7 |
| Conventional natural gas (MMcf/d) | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.2 | 0.3 | 0.2 | 0.2 | 0.2 | 0.3 |
| Natural gas (MMcf/d) | 2.5 | 6.0 | 0.2 | 0.2 | 0.3 | 0.2 | 2.9 | 16.9 | 2.2 | 5.0 | 19.0 |
| Condensate (Bbl/d) | 1 | 1 | 1 | 1 | 2 | 1 | 1 | – | 1 | 1 | 1 |
| Other NGLs (Bbl/d) | 24 | 8 | 6 | 7 | 12 | 6 | 7 | 6 | 11 | 8 | 7 |
| NGLs (Bbl/d) | 25 | 9 | 7 | 8 | 14 | 7 | 8 | 6 | 12 | 9 | 8 |
| Heavy crude oil (Bbl/d) | 392 | 375 | 400 | 358 | 407 | 337 | 349 | 389 | 381 | 371 | 424 |
| Crude oil (Bbl/d) | 392 | 375 | 400 | 358 | 407 | 337 | 349 | 389 | 381 | 371 | 424 |
| Total (Boe/d) | 834 | 1,382 | 446 | 405 | 484 | 376 | 840 | 3,217 | 770 | 1,226 | 3,599 |

| SOLD ASSETS | | | | | | | | | | | |
|-----------------------------------|----------|----------|----------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|
| Shale gas (MMcf/d) | – | – | – | 76.9 | 213.8 | 203.0 | 187.0 | 201.5 | 19.0 | 201.4 | 209.3 |
| Conventional natural gas (MMcf/d) | – | – | – | – | 0.1 | 0.1 | 0.1 | 0.1 | – | 0.1 | 0.2 |
| Natural gas (MMcf/d) | – | – | – | 76.9 | 213.9 | 203.1 | 187.1 | 201.6 | 19.0 | 201.5 | 209.5 |
| Condensate (Bbl/d) | – | – | – | 10,430 | 31,329 | 28,923 | 27,935 | 29,061 | 2,572 | 29,317 | 31,432 |
| Other NGLs (Bbl/d) | – | – | – | 1,456 | 3,977 | 4,718 | 4,173 | 4,330 | 359 | 4,300 | 4,408 |
| NGLs (Bbl/d) | – | – | – | 11,886 | 35,306 | 33,641 | 32,108 | 33,391 | 2,931 | 33,617 | 35,840 |
| Tight oil (Bbl/d) | – | – | – | – | 113 | 123 | 147 | 141 | – | 131 | 152 |
| Crude oil (Bbl/d) | – | – | – | – | 113 | 123 | 147 | 141 | – | 131 | 152 |
| Total (Boe/d) | – | – | – | 24,704 | 71,064 | 67,608 | 63,437 | 67,139 | 6,091 | 67,323 | 70,907 |

Paramount is forecasting 2026 annual average sales volumes of between 46,000 Boe/d and 51,000 Boe/d (50% shale gas and conventional natural gas combined, 38% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 12% other NGLs):

- First half 2026 average sales volumes are expected to be between 39,000 Boe/d and 44,000 Boe/d (53% shale gas and conventional natural gas combined, 37% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 10% other NGLs).
- Third quarter 2026 average sales volumes are expected to be between 46,500 Boe/d and 51,500 Boe/d (49% shale gas and conventional natural gas combined, 39% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 12% other NGLs).
- Fourth quarter 2026 average sales volumes are expected to be between 59,000 Boe/d and 64,000 Boe/d (47% shale gas and conventional natural gas combined, 40% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 13% other NGLs).

2027 annual average sales volumes are expected to be between 60,000 Boe/d to 65,000 Boe/d (50% shale gas and conventional natural gas combined, 38% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 12% other NGLs):

- Year-end 2027 exit sales volumes are expected to be over 100,000 Boe/d (65% shale gas and conventional natural gas combined, 29% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% other NGLs).

The Company plans to maintain average sales volumes in Kaybob of between 19,000 Boe/d and 20,000 Boe/d (62% shale gas and conventional natural gas combined, 32% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% other NGLs) through to 2028.

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 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 years ended December 31, 2025 and 2024 and for the three months ended December 31, 2025 and 2024 is provided in this MD&A under "Operating Results – Netback" and "Fourth Quarter Results – Netback", respectively.

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 18 – Capital Structure in the Consolidated 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 (i) the years ended December 31, 2025, 2024 and 2023 is provided in this MD&A under "Consolidated Results – Adjusted Funds Flow" and (ii) the three months ended December 31, 2025, and 2024 is provided in this MD&A under "Fourth Quarter 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 (i) the years ended December 31, 2025, 2024 and 2023 is provided in this MD&A under "Consolidated Results – Free Cash Flow" and (ii) the three months ended December 31, 2025, and 2024 is provided in this MD&A under "Fourth Quarter Results – Free Cash Flow". In the fourth quarter of 2025, the Company updated its free cash flow measure to deduct provisions settled. Free cash flow for the third quarter of 2025 was updated to conform to this updated method of calculation. There was no impact to free cash flow of other periods presented as a result of this update.

A calculation of net (cash) debt as at December 31, 2025 and 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 December 31, 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:

- the expected timing of completion of phase two of the Alhambra Plant and the expected capacity thereof on completion;
- the expected timing of completion of the Sinclair Plant and the expected capacity thereof on completion;
- expected average sales volumes for 2026 and certain periods therein;
- budgeted capital expenditures in 2026 and the allocation thereof;
- budgeted abandonment and reclamation expenditures in 2026;
- the Company's outlook for capital expenditures and sales volumes in 2027 and the year-end 2027 exit rate of sales volumes;
- the expected sources of funding for forecast 2026 capital expenditures, abandonment and reclamation expenditures and regular monthly dividends;
- the anticipation that legal proceedings will not have a material impact on Paramount's financial position; and
- the expected impact of future changes in accounting standards.

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 (including the construction of the second phase of the Alhambra Plant and the Sinclair Plant) 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 merits of legal claims, audits, assessments or other regulatory matters and proceedings;

- the application of laws and regulations;
- the timely receipt of required governmental and regulatory approvals, including those necessary for the construction of the Sinclair Plant; 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 second phase of the Alhambra Plant and the Sinclair 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 MD&A, undue reliance should not be placed on them as Paramount can give no assurance that such expectations will prove to be correct. Forward-looking information is based on expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Paramount and described in the forward-looking information. The material risks and uncertainties include, but are not limited to:

- 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, blowouts or induced seismicity events;
- 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, constructing, expanding, commissioning, starting-up or operating new, expanded or existing facilities, pipelines and other infrastructure, including third-party facilities, phase two of the Alhambra Plant and the Sinclair Plant;
- processing, transportation, fractionation, disposal, storage and electrical supply 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 (including the construction of the second phase of the Alhambra Plant and the Sinclair Plant and the drilling, completion, equipping and tie-in of new wells necessary to maintain and grow production) and meet current and future commitments and obligations (including asset retirement obligations and 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 (including those required for the Sinclair Plant) 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;
- uncertainties and risks respecting 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, 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 |
| | | MMBtu/d | Millions of British Thermal Units per day |
| | | NYMEX | New York Mercantile Exchange |
| | | AECO | AECO-C reference price |
| Oil Equivalent | | | |
| Boe | Barrels of oil equivalent | | |
| Boe/d | Barrels of oil equivalent per day | | |

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 year ended December 31, 2025, the value ratio between crude oil and natural gas was approximately 49:1. 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.



Consolidated Financial Statements
As at December 31, 2025 and 2024 and for the years then ended

MANAGEMENT'S REPORT

The accompanying Consolidated Financial Statements of Paramount Resources Ltd. (the "Company") are the responsibility of Management and have been approved by the Company's Board of Directors. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain estimates that reflect Management's best judgments. If alternate accounting methods exist, Management has chosen those policies it considers the most appropriate in the circumstances. Financial information included in the Company's annual results, including Management's Discussion and Analysis, is consistent with these Consolidated Financial Statements.

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The Company's internal control system was designed to provide reasonable assurance that all transactions are recorded that are necessary for the preparation and presentation of financial statements in accordance with International Financial Reporting Standards, that such transactions are recorded accurately and that the Company's assets are safeguarded.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Board of Directors fulfills this responsibility through the Audit Committee, which is comprised entirely of non-Management directors. The Audit Committee meets regularly with Management and the independent auditors to ensure that Management's responsibilities are properly discharged and to review the Consolidated Financial Statements. The Audit Committee reports its findings to the Board of Directors for consideration when approving the annual Consolidated Financial Statements. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the independent auditors.

Ernst & Young LLP, independent auditors appointed by the shareholders of the Company, audits the Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards. Ernst & Young LLP has full and free access to the Board of Directors, the Audit Committee and Management.

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

/s/ P.R. Kinvig
P.R. Kinvig
Chief Financial Officer

March 2, 2026

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Paramount Resources Ltd.

Opinion

We have audited the consolidated financial statements of Paramount Resources Ltd. and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as at December 31, 2025 and 2024, and the consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of investments in level three fair value hierarchy securities

As discussed in notes 1(l), 3 and 7 in the consolidated financial statements, the Company measures its Level One and Level Three investments in securities at fair value with the corresponding fair value change recognized in other comprehensive income. The valuation is performed by the Company using a fair value hierarchy: Level One are valuations based on quoted prices (unadjusted) in active markets; and Level Three are valuations based on unobservable inputs for the assets. At December 31, 2025, the Company held investments in Level Three securities of \$126.6 million. The fair value of the investments in Level Three securities are based on valuation techniques that incorporate unobservable inputs. These valuation techniques utilize market-based metrics of comparable companies and transactions, indicators of value based on equity transactions of the investments and other indicators of value including financial and operational results of the investees. The valuation of the investments in Level Three securities is a key audit matter given the inherently subjective nature of significant unobservable inputs that require judgment.

To test the Company's estimated valuation of investments in material Level Three securities, we performed the following audit procedures, amongst others:

- For investments with recent equity transactions involving arm's length parties, we agreed the Company's valuation of the investment to the valuation implied within the transaction consideration.
- For entities without recent equity transactions, we involved our internal valuation specialists to evaluate the appropriateness of the underlying valuation methodology used for each significant investment.
- Our internal valuation specialists assessed the implied valuation metrics derived from the Company's valuation conclusions for each investment against that of observable public companies and transactions, as appropriate.
- We confirmed the number of shares owned by the Company.
- We evaluated the completeness and accuracy of the Company's disclosures relating to investments to assess appropriateness and completeness with IFRS disclosure requirements.

The impact of crude oil, natural gas and natural gas liquids reserves on PP&E assets

As described in notes 1(e), 1(f), 3 and 6, to the consolidated financial statements, the Company uses oil and gas reserves in the calculation of depletion expense for its developed oil and gas assets included in property, plant and equipment ("PP&E") and to estimate the recoverable amount of the Company's cash generating unit if indicators of impairment or impairment reversal are identified. The Company had \$2,105.9 million of PP&E at December 31, 2025. Depletion and depreciation expense was \$247.4 million for the year ended December 31, 2025.

The Company's oil, natural gas and natural gas liquids reserves were evaluated by independent petroleum engineers (management's expert). Key assumptions used by management to determine reserves include forward price estimates, expected future rates of production, future production costs and the timing and amount of future development expenditures.

We considered this a key audit matter due to the judgments by management, including the use of management's expert, and a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the key assumptions.

To test the oil, natural gas and natural gas liquids reserves estimate, our procedures included, among others:

- Evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Company. The appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the methods and inputs.
- Compared forward price estimates to those published by other independent third-party reserve evaluators.
- Compared the 2025 actual production, production costs, and development costs of the Company to those assumptions used in the prior year's estimate of oil and gas reserves to assess the Company's ability to accurately forecast.
- Evaluated the appropriateness of forecasted production and forecasted production costs, and future development costs assumptions by comparing to historical results. We took into account changes in conditions and events affecting the Company to assess the adjustments or lack of adjustments made by the Company in arriving at the assumptions.
- We recalculated depletion and depreciation expense.
- We evaluated the adequacy of the applicable disclosures in the consolidated financial statements in respect of these matters.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

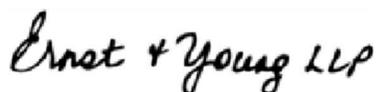
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jeffery Curtis Hodl.

The logo for Ernst + Young LLP, featuring the company name in a stylized, handwritten-style font.

Chartered Professional Accountants

Calgary, Alberta
March 2, 2026

CONSOLIDATED BALANCE SHEETS

(\$ millions)

| As at December 31 | Note | 2025 | 2024 |
|---|------|---------|---------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 17 | 730.8 | 2.4 |
| Accounts receivable | 14 | 98.4 | 192.6 |
| Risk management – current | 14 | 2.1 | 8.3 |
| Prepaid expenses and other | | 16.8 | 17.4 |
| Assets held for sale | 4 | – | 1,903.2 |
| | | 848.1 | 2,123.9 |
| Investments in securities | 7 | 137.3 | 563.9 |
| Risk management – long-term | 14 | 6.2 | 1.2 |
| Exploration and evaluation | 5 | 489.7 | 427.1 |
| Property, plant and equipment, net | 6 | 2,105.9 | 1,509.9 |
| Deferred income tax | 13 | – | 131.5 |
| | | 3,587.2 | 4,757.5 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 14 | 173.2 | 227.0 |
| Risk management – current | 14 | 3.3 | 0.7 |
| Asset retirement obligations and other – current | 9 | 48.6 | 30.1 |
| Liabilities associated with assets held for sale | 4 | – | 287.1 |
| | | 225.1 | 544.9 |
| Long-term debt | 8 | – | 173.0 |
| Risk management – long-term | 14 | 7.2 | 4.5 |
| Asset retirement obligations and other – long-term | 9 | 377.2 | 339.8 |
| Deferred income tax | 13 | 265.9 | – |
| | | 875.4 | 1,062.2 |
| Commitments and contingencies | 20 | | |
| Shareholders' equity | | | |
| Share capital | 10 | 526.3 | 2,323.3 |
| Retained earnings | | 1,912.4 | 766.7 |
| Reserves | 11 | 273.1 | 605.3 |
| | | 2,711.8 | 3,695.3 |
| | | 3,587.2 | 4,757.5 |

See the accompanying notes to these Consolidated Financial Statements

On behalf of the Board of Directors

/s/ J.H.T. Riddell
J.H.T. Riddell, Director

/s/ K. Lynch Proctor
K. Lynch Proctor, Director

March 2, 2026

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(\$ millions, except as noted)

| Year ended December 31 | Note | 2025 | 2024 |
|--|-------|----------------|---------|
| Petroleum and natural gas sales | | 736.4 | 1,760.2 |
| Royalties | | (51.0) | (222.8) |
| Sales of commodities purchased | | 280.3 | 317.3 |
| Revenue | 15 | 965.7 | 1,854.7 |
| Gain on risk management contracts | 14 | 41.6 | 31.8 |
| | | 1,007.3 | 1,886.5 |
| Expenses | | | |
| Operating expense | | 179.8 | 473.9 |
| Transportation and NGLs processing | | 68.9 | 135.6 |
| Commodities purchased | | 275.2 | 312.0 |
| General and administrative | | 52.3 | 48.2 |
| Share-based compensation | 12 | 49.0 | 43.5 |
| Depletion and depreciation | 6 | 247.4 | 429.9 |
| Exploration and evaluation | 5 | 6.4 | 27.3 |
| Gain on sale of oil and gas assets | 4,5,6 | (1,607.2) | (15.6) |
| Accretion of asset retirement obligations | 9 | 25.2 | 42.4 |
| Provisions expense | 9 | 38.1 | (0.5) |
| Transaction and reorganization costs | 12 | 24.3 | – |
| Interest and financing expense | 8,17 | 6.3 | 7.8 |
| Interest income | 17 | (22.5) | (1.9) |
| Dividend income and other | 16 | (6.9) | (12.9) |
| | | (663.7) | 1,489.7 |
| Income before tax | | 1,671.0 | 396.8 |
| Income tax expense | | | |
| Deferred | 13 | 382.3 | 60.9 |
| | | 382.3 | 60.9 |
| Net income | | 1,288.7 | 335.9 |
| Other comprehensive income, net of tax | 11 | | |
| <i>Items that will be reclassified to net income</i> | | | |
| Change in fair value of cash flow hedges, net of tax | | (0.3) | (0.7) |
| Reclassification to net income, net of tax | | 2.3 | 0.3 |
| <i>Items that will not be reclassified to net income</i> | | | |
| Change in fair value of securities, net of tax | 7 | 107.0 | 89.7 |
| Comprehensive income | | 1,397.7 | 425.2 |
| Net income per common share (\$/share) | 10 | | |
| Basic | | 8.96 | 2.30 |
| Diluted | | 8.78 | 2.25 |

See the accompanying notes to these Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ millions)

| Year ended December 31 | Note | 2025 | 2024 |
|---|-------|------------------|----------------|
| Operating activities | | | |
| Net income | | 1,288.7 | 335.9 |
| Add (deduct): | | | |
| Items not involving cash | 17 | (897.2) | 582.2 |
| Asset retirement obligations settled | 9 | (39.0) | (38.1) |
| Provisions expense | 9 | 38.1 | (0.5) |
| Provisions settled | 9 | (11.9) | – |
| Change in non-cash working capital | | 38.6 | (64.2) |
| Cash from operating activities | | 417.3 | 815.3 |
| Financing activities | | | |
| Net (repayment) draw of long-term debt | 8 | (173.6) | 173.6 |
| Lease liabilities – principal repayments | 9 | (4.0) | (3.9) |
| Dividends and distributions | 10 | (2,248.5) | (248.2) |
| Common Shares issued, net of issue costs | 10 | 16.5 | 30.9 |
| Common Shares purchased under NCIB | 10 | (156.7) | (22.3) |
| CBRSU plan | 12 | (36.9) | (29.5) |
| Change in non-cash working capital | 10 | 2.1 | – |
| Cash used in financing activities | | (2,601.1) | (99.4) |
| Investing activities | | | |
| Capital expenditures | 5,6 | (788.5) | (842.2) |
| Land and property acquisitions | 5,6 | (87.6) | (14.3) |
| Proceeds of disposition | 4,6,7 | 3,795.9 | 126.8 |
| Investments | 7 | – | (1.2) |
| Change in non-cash working capital | | (6.8) | (31.5) |
| Cash from (used in) investing activities | | 2,913.0 | (762.4) |
| Net increase (decrease) | | 729.2 | (46.5) |
| Foreign exchange on cash and cash equivalents | | (0.8) | – |
| Cash and cash equivalents, beginning of year | | 2.4 | 48.9 |
| Cash and cash equivalents, end of year | | 730.8 | 2.4 |

See the accompanying notes to these Consolidated Financial Statements

Supplemental cash flow information

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(\$ millions, except as noted)

| Year ended December 31 | Note | 2025 | | 2024 | |
|--|-------|----------------------|----------------|----------------------|----------------|
| | | Shares (millions) | | Shares (millions) | |
| Share capital | | | | | |
| Balance, beginning of year | | 146.9 | 2,323.3 | 144.2 | 2,302.0 |
| Issued on exercise of Paramount Options | 10,12 | 2.0 | 24.4 | 3.4 | 40.4 |
| Common Shares purchased & cancelled under NCIB | 10 | (4.9) | (111.1) | (0.7) | (11.2) |
| Change in Common Shares for CBRSU plan | 12 | 0.2 | 8.4 | – | (7.9) |
| Return of capital distribution | 10 | – | (1,718.7) | – | – |
| Balance, end of year | | 144.2 | 526.3 | 146.9 | 2,323.3 |
| Retained earnings | | | | | |
| Balance, beginning of year | | | 766.7 | | 632.4 |
| Net income | | | 1,288.7 | | 335.9 |
| Dividends | 10 | | (529.8) | | (248.2) |
| Common Shares purchased & cancelled under NCIB | 10 | | (45.6) | | (11.1) |
| Reclassification of accumulated gain on securities | 7,11 | | 432.4 | | 57.7 |
| Balance, end of year | | | 1,912.4 | | 766.7 |
| Reserves | | | | | |
| Balance, beginning of year | 11 | | 605.3 | | 564.8 |
| Other comprehensive income | | | 109.0 | | 89.3 |
| Contributed surplus | | | (8.8) | | 8.9 |
| Reclassification of accumulated gain on securities | 7 | | (432.4) | | (57.7) |
| Balance, end of year | | | 273.1 | | 605.3 |
| Shareholders' equity | | | 2,711.8 | | 3,695.3 |

See the accompanying notes to these Consolidated Financial Statements

Notes to the Consolidated Financial Statements

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

1. Summary of Material Accounting Policies

Paramount Resources Ltd. ("Paramount" or the "Company") is an independent, publicly traded 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. The Company'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 Fox Drilling Limited Partnership and MGM Energy.

These consolidated financial statements, as at December 31, 2025 and 2024 and for the years then ended (the "Consolidated Financial Statements"), were authorized for issuance by Paramount's Board of Directors on March 2, 2026.

Basis of Preparation

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis, except for certain financial instruments. The Company's accounting policies have been applied consistently to all years presented. Amounts in these Consolidated Financial Statements are 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. Certain comparative figures have been reclassified to conform to the current year's presentation.

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.

The preparation of these Consolidated Financial Statements requires the use of certain accounting estimates and also requires Management to exercise judgment in applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, and areas where assumptions and estimates are significant to the Consolidated Financial Statements, are described in Note 3.

a) Revenue Recognition

Revenue from petroleum and natural gas sales is recognized when control of the petroleum and natural gas volumes is transferred to the purchaser, which generally occurs when the purchaser obtains the legal right to possession of such volumes, the purchaser assumes the risks and rewards of ownership and payment from the purchaser is reasonably assured.

Paramount purchases commodities from third parties from time to time to fulfill sales commitments and for blending purposes. The Company sells these products to its customers. These transactions are presented as separate revenue and expense items in the consolidated statements of comprehensive income.

Notes to the Consolidated Financial Statements

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

The Company accounts for its forward physical delivery sales contracts, which are entered into and continue to be held for the purpose of delivery of non-financial items, as executory contracts in accordance with expected sales requirements. These contracts are not considered derivative financial instruments. Settlements of these physical contracts are recognized in revenue over the term of the contracts as physical delivery occurs.

b) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash in bank accounts and, from time to time, term deposits, certificates of deposit and other highly liquid investments.

c) Trade and Other Receivables

Accounts receivable are carried at amortized cost and are recorded as corresponding amounts of revenue are recognized or costs are incurred on behalf of partners in connection with joint operations.

d) Exploration and Evaluation

Costs related to the exploration for and evaluation of petroleum and natural gas properties, including costs of acquiring unproved properties, drilling and completing exploratory wells and the associated estimated asset retirement costs, are initially capitalized, pending determination of technical feasibility and commercial viability. If hydrocarbons are found, but further appraisal activity is required to determine commercial viability, the exploration and evaluation ("E&E") costs continue to be recognized as an asset. All such costs are subject to technical, commercial, and Management review at least annually to confirm the continued intent to establish the technical feasibility and commercial viability of the project.

When the technical feasibility and commercial viability of a project have been established, the E&E costs are transferred to petroleum and natural gas assets within property, plant and equipment, subject to an impairment assessment. When the Company determines that an E&E project is no longer viable or its carrying value exceeds its recoverable amount, an impairment charge is recognized.

Exploratory geological and geophysical costs, pre-license costs and annual lease rentals are expensed as incurred.

e) Property, Plant and Equipment

Petroleum and natural gas assets are carried at cost, net of accumulated depletion and depreciation and include costs related to drilling and completing development wells, infrastructure construction, E&E projects where the technical feasibility and commercial viability were previously established and estimated associated asset retirement costs.

Paramount's drilling rigs (the "Rigs") are carried at cost, net of accumulated depreciation. Costs incurred to improve the capabilities of the Rigs, extend their useful lives or replace significant components are capitalized. When a significant component is replaced, the carrying value of the replaced component is derecognized.

Notes to the Consolidated Financial Statements

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

Depletion and Depreciation

The capitalized costs of developed oil and gas properties, including the related production equipment and gathering systems, are generally depleted over volumes of estimated proved plus probable reserves using the unit-of-production method. In determining applicable depletion rates, estimated future development costs related to such reserves are included in the numerator. For purposes of these calculations, volumes of natural gas are converted to barrels of oil equivalent using a ratio of six thousand cubic feet of natural gas to one barrel (6:1). Depletion rates are revised annually, or more frequently when events dictate. E&E assets are not depleted.

Capitalized costs of major infrastructure assets, including processing plants, are depreciated on a straight-line basis over their expected useful lives, which extend for up to 49 years.

The Rigs are depreciated on a straight-line basis by component over their expected useful lives, which range between 5 and 20 years.

f) Impairment and Impairment Reversal of Non-Financial Assets

Carrying values of the Company's non-financial assets are reviewed at each reporting date to determine whether any indicators of impairment are present, or whether there are any indicators that an impairment loss recognized in prior periods may no longer exist or may have decreased. For the purpose of impairment testing, non-financial assets are generally grouped together into cash-generating units ("CGU"), which consist of the smallest group of assets that generate cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Company's developed oil and gas properties have been grouped into a single CGU. Prior to the Grande Prairie Disposition in January 2025, which is further described in Note 4, Paramount's oil and gas properties were grouped into three CGUs: Grande Prairie, Kaybob and Central Alberta and Other. The Company's E&E assets, consisting mainly of undeveloped land, are tested as a single group for the purpose of impairment testing.

If an indicator of impairment or impairment reversal is identified for a particular asset or CGU, its recoverable amount is estimated. If the carrying value of such asset or CGU exceeds its estimated recoverable amount, an impairment charge is recognized. If the estimated recoverable amount of an asset or CGU that was previously impaired exceeds its carrying value, any impairment charges recognized in prior periods are reversed to a maximum of the carrying value that would have been determined, net of depletion and depreciation, had no impairment charges been recognized for that asset or CGU in prior periods.

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). In assessing FVLCD, the Company estimates the value a potential purchaser would ascribe to an asset or CGU. For oil and gas properties, FVLCD is generally estimated based on expected after-tax future net cash flows from the production of proved plus probable reserves using forecast commodity prices and costs, discounted using market-based rates. VIU is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU including an allocation of corporate costs.

g) Joint Arrangements

Paramount conducts its exploration and development activities independently, as well as jointly with others through jointly controlled assets and operations. All of the Company's current interests in joint arrangements are classified as joint operations. To account for these arrangements, Paramount recognizes its proportionate share of the revenues, expenses, assets and liabilities of such joint operations.

Notes to the Consolidated Financial Statements

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

h) Provision – Pipeline Release

A provision is recognized where the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

As further described in Note 9, Paramount identified a release of liquids in July 2025 that it believes to have originated from a Company owned and operated pipeline (the "Pipeline Release"). A provision and corresponding expense was recorded in 2025 in an amount equal to the present value of the estimated costs arising from the Pipeline Release, including related to future response, remediation, reclamation and monitoring activities (the "Response Costs"). The present value of the Response Costs was determined using the applicable credit-adjusted risk-free discount rate and will be adjusted for the passage of time, which will be recognized as accretion expense. Any revisions to the timing, estimated Response Costs and discount rate relating to the Pipeline Release provision will be accounted for prospectively by recording an adjustment to the provision, with a corresponding charge or credit to provision expense.

i) Asset Retirement Obligations

Asset retirement obligations arise from legal or constructive obligations to abandon and reclaim petroleum and natural gas properties, including oil and gas wells, gathering systems, facilities and their surface sites at the end of their economic lives.

The present value of an asset retirement obligation is recognized in the consolidated balance sheet when incurred and a reasonable estimate of the amount of the obligation can be made. The present value of the obligation is determined using the applicable credit-adjusted risk-free discount rate, after applying an estimated inflation factor, and is adjusted for the passage of time, which is recognized as accretion expense. The present values of estimated future asset retirement obligations are capitalized as part of the carrying value of the related petroleum and natural gas assets and E&E assets. The capitalized estimated future asset retirement costs related to petroleum and natural gas assets are depleted on the same basis as the underlying assets.

Revisions to the timing, anticipated cost, discount rate and inflation rate relating to the estimated liability are accounted for prospectively by recording an adjustment to the asset retirement obligation liability, with a corresponding adjustment to the carrying value of the related asset. Where changes to asset retirement obligations relate to properties which have a nil carrying value, the corresponding change is recorded in depletion and depreciation expense.

Actual costs incurred for the settlement of asset retirement obligations are applied against the asset retirement obligation liability. Differences between the actual costs incurred and the liability accrued are recognized in net earnings when the abandonment and reclamation of a property is complete.

j) Foreign Currency Translation

The functional and presentation currency of Paramount and its subsidiaries is the Canadian dollar.

Notes to the Consolidated Financial Statements

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

k) Estimates of Fair Value

Inputs used to estimate fair values incorporated in the preparation of the Consolidated Financial Statements are categorized into one of three levels of a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels are defined as follows:

Level One – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level Two – Inputs are based on information other than quoted prices included within Level One that are observable for the asset or liability, either directly or indirectly, including:

- a) quoted prices for similar assets or liabilities in active markets;
- b) quoted prices for identical or similar assets or liabilities in markets that are not active;
- c) inputs other than quoted prices that are observable for the asset or liability, for example:
 - i. interest rates and yield curves observable at commonly quoted intervals;
 - ii. implied volatilities; and
 - iii. credit spreads; and
- d) market-corroborated inputs.

Level Three – Inputs are unobservable. Unobservable inputs are developed using the best information available in the circumstances, which may incorporate Paramount's own internally generated data.

l) Financial Instruments and Other Comprehensive Income

Financial Instruments

The Company is exposed to market risks from changes in commodity prices, foreign currency exchange rates, interest rates, credit risk and liquidity risk. From time to time, Paramount enters into derivative financial instruments to manage certain of these risks.

Financial instruments are measured at fair value on initial recognition. The measurement of a financial instrument in subsequent periods is dependent upon whether it has been classified as "fair value through profit or loss", "fair value through other comprehensive income" ("OCI") or "amortized cost".

Paramount's risk management assets and liabilities relating to financial commodity contracts, foreign currency exchange contracts and other derivatives not accounted for as cash flow hedges are classified as fair value through profit or loss. Fair value through profit or loss financial instruments are measured at fair value, with changes in their fair values over time being recognized in net earnings. The fair values of the Company's risk management assets and liabilities relating to these 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.

Investments in securities are classified as fair value through OCI. Financial assets that are classified as fair value through OCI are measured at fair value with changes in such fair values being accumulated in OCI until the asset is sold or derecognized. Upon the disposition or derecognition of an investment in securities, amounts previously recorded in OCI in respect of such investment are reclassified to retained earnings.

Notes to the Consolidated Financial Statements

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

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 (level one fair value hierarchy estimate). 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 three fair value hierarchy inputs). These valuation techniques utilize market-based metrics of comparable companies and transactions, indicators of value based on equity transactions of the entities and other indicators of value including financial and operational results of the entities. Fair value estimates of level three fair value hierarchy securities are updated at each balance sheet date to confirm whether the carrying value of the investment continues to fall within a range of possible fair values indicated by such techniques. Changes in assumptions, as well as changes in judgments regarding comparable transactions and entities, could result in a material change in the estimated fair values of investments in Level Three Securities in future periods. Dividends from investees are included in cash from operating activities.

Financial liabilities, including related transaction costs, are measured at amortized cost using the effective interest method.

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

Hedge Accounting

The Company applies hedge accounting to certain financial instruments when such instruments are formally documented and designated at inception as qualifying hedging relationships. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged, the Company's risk management objective and strategy for undertaking the hedge and how the hedging relationship will be assessed to meet hedge effectiveness requirements. Paramount's risk management assets and liabilities related to electricity swaps are accounted for as cash flow hedges.

Hedge effectiveness is evaluated by assessing the critical terms of the hedging relationship at inception, at the end of each reporting date and upon a significant change in the circumstances affecting hedge effectiveness. For a cash flow hedge, the change in the unrealized fair value of the effective portion of the hedging instrument is recognized in OCI. Accumulated gains or losses are reclassified from OCI to net earnings as amounts are settled throughout the term of the arrangement. Any portion of the change in the fair value of the hedging instrument related to hedge ineffectiveness is recognized in net earnings or reclassified from OCI to net earnings when applicable.

Other Comprehensive Income

For Paramount, OCI is comprised of changes in the fair value of investments in securities and changes in the fair value of financial instruments where hedge accounting is applied (effective portion of hedge). Amounts recorded in OCI each period are presented in the consolidated statements of comprehensive income. Cumulative changes in OCI are included in reserves, which is presented within shareholders' equity in the consolidated balance sheet.

Notes to the Consolidated Financial Statements

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

m) Impairment of Financial Assets

The Company recognizes provisions for expected credit losses upon the initial recognition of financial assets and re-assesses the provision at each reporting date. The provision is adjusted as a result of changes in historical default rates, age of balances outstanding and counterparty credit metrics.

n) Income Taxes

Paramount follows the liability method of accounting for income taxes. Under this method, a deferred income tax asset or liability is recognized in respect of any temporary difference between the carrying amount of an asset or liability reported in the consolidated balance sheet and its respective tax basis, using substantively enacted income tax rates. Deferred income tax balances are adjusted to reflect changes in substantively enacted income tax rates expected to apply when the underlying assets are realized or liabilities are settled, with adjustments being recognized in deferred tax expense in the period in which the change occurs.

Deferred income tax assets are recognized to the extent future realization is considered probable. The carrying value of deferred income tax assets are reviewed at each reporting date taking into consideration historical and expected future taxable income, expected reversals of temporary differences, anticipated timing of realization, tax basis carry-forward periods and other factors. Deferred income tax assets are de-recognized to the extent that it is not probable that the carrying value of the asset will be realized.

o) Share-Based Compensation

Paramount Stock Option Plan

Paramount has a stock option plan that enables its Board of Directors or Compensation Committee to grant options ("Paramount Options") to acquire class A common shares of the Company ("Common Shares") to key employees and directors. Paramount Options generally vest over five years and expire within six years of the grant date. The provisions of the stock option plan permit the Company to settle the Paramount Options in Common Shares or in cash.

The Company accounts for Paramount Options as equity-settled share-based compensation transactions. The aggregate grant date fair value of Paramount Options awarded is recognized as share-based compensation expense over the applicable vesting period on a straight-line basis, with a corresponding increase in contributed surplus. The grant date fair value of Paramount Options is estimated using the Black-Scholes model, and such value is not adjusted in future periods. The amount of share-based compensation expense recognized each period reflects the portion of the vesting term that has elapsed and the estimated number of options that are expected to vest. That estimate is adjusted each period such that the cumulative amount recognized on the vesting date reflects the actual number of Paramount Options that ultimately vest. Upon the exercise of a Paramount Option, the Company transfers the cumulative amount recognized in contributed surplus in respect of that option to share capital.

Restricted Share Unit Plan

Paramount's cash bonus and restricted share unit ("CBRSU") plan provides that rights to Common Shares may be awarded to employees annually through the grant of restricted share units ("RSUs"). Upon vesting, each RSU is exchanged for one Common Share and an amount, payable in cash or Common Shares, equal to any cash dividends or distributions accrued since the date of grant of the RSU. Generally, RSUs awards vest within three years.

Notes to the Consolidated Financial Statements

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

The Company may settle RSUs through the purchase of Common Shares in the open market by an independent trustee, who holds such shares until completion of the vesting period, the issuance of Common Shares by the Company from treasury or a cash payment. Open market purchases of Common Shares by the independent trustee are initially recorded as a reduction to Paramount's share capital. The grant date fair value of RSUs awarded is recognized over the vesting period as share-based compensation expense, with a corresponding increase to contributed surplus. Upon vesting of awards, the related contributed surplus is reclassified to share capital.

p) Net Income Per Share

Basic net income per share is calculated by dividing net income by the weighted average number of Common Shares outstanding during the year. Diluted net income per share is calculated by adjusting the weighted average number of Common Shares outstanding for the effects of dilution related to Paramount Options outstanding during the period. Common Shares held in trust under the CBRSU plan are not included in the calculation of the weighted average number of Common Shares outstanding. For Paramount Options, the number of dilutive Common Shares is determined using the treasury stock method.

q) Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at the date of inception and upon modifications. An arrangement is a lease when the terms of the agreement relate to the use of a specific asset and the lessee has the right to control the use of the specified asset.

On the date a leased asset is first available for use by the Company, a right-of-use ("ROU") asset and a corresponding lease liability are recognized. The ROU asset is depreciated over the lease term and the lease liability is reduced as payments are made under the agreement. Each lease payment is allocated between a principal repayment and an interest component.

Assets and liabilities recognized in respect of leases are recorded on a discounted basis. Lease liabilities consist of the net present value of the aggregate future contractual lease payments. Where the rate implicit in a lease is not readily determinable, lease payments are discounted using the Company's incremental borrowing rate. ROU assets are recognized at the amount corresponding to the amount of the initial lease liability. Lease payments in respect of short-term leases with terms of less than twelve months, or in respect of leases for which the underlying asset is of low value, are expensed as incurred.

r) Assets Held for Sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered through sale instead of continuing use. This condition is met when the sale is highly probable and the assets are available for immediate sale in their present condition. For the sale to be highly probable, Management must be at least committed to a plan to sell the assets and have initiated an active program to locate a buyer. The assets must also be actively marketed for sale at a price that is reasonable in relation to their current fair value and the sale should be expected to be completed within one year from the date of classification as held for sale.

Notes to the Consolidated Financial Statements

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

Non-current assets classified as held for sale are measured at the lower of the carrying amount and recoverable amount, with impairments or impairment reversals recognized in the consolidated statements of comprehensive income. Non-current assets classified as held for sale and their associated liabilities are presented in current assets and current liabilities within the consolidated balance sheet and are not depleted or depreciated.

2. New and Updated Accounting Policies and Standards

Future Changes in Accounting Standards

In April 2024, the IASB issued *IFRS 18 – Presentation and Disclosure in Financial Statements*, which replaces *IAS 1 – Presentation of Financial Statements* and establishes a revised structure for the consolidated statements of comprehensive income, required disclosures for certain management-defined performance measures and additional requirements for the grouping of information in the financial statements. IFRS 18 is effective for fiscal years beginning on or after January 1, 2027, with early adoption permitted. Paramount expects that as a result of the adoption of IFRS 18, in addition to the items mentioned above, certain items will be reclassified from operating activities in the consolidated statements of cash flows to financing and investing activities. In particular, interest and financing expenses will be reclassified as financing activities and interest income and dividend income will be reclassified as investing activities. In addition, operating profit will replace net income as the starting point for determining cash flows from operating activities.

In May 2024, the IASB issued amendments to *IFRS 9 – Financial Instruments* and *IFRS 7 – Financial Instruments: Disclosures*. These amendments clarify the date of recognition and derecognition of financial assets and liabilities, including the settling of financial liabilities using an electronic payment system, and the classification of certain financial assets. In addition, there are new disclosure requirements related to equity instruments designated as fair value through other comprehensive income. These amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted. As a result of the adoption of these amendments, Paramount expects to increase cash and cash equivalents and accounts payable and accrued liabilities balances for the amount of outstanding cheques at the end of each reporting period.

3. Management Judgments, Assumptions & Accounting Estimates

The timely preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures regarding contingent assets and liabilities. Estimates and assumptions are regularly evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in judgments, estimates and assumptions based on new information could result in a material change to the carrying amount of assets or liabilities and have a material impact on assets, liabilities, revenues and expenses recognized in future periods.

A description of the accounting judgments, estimates and assumptions that are considered significant is set out below.

Notes to the Consolidated Financial Statements

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

Reserves Estimates

Reserves engineering is an inherently complex and subjective process of estimating underground accumulations of petroleum and natural gas. The process relies on judgments based on the interpretation of available geological, geophysical, engineering and production data. The accuracy of a reserves estimate is a function of the quality and quantity of available data, the interpretation of such data, the accuracy of various economic assumptions and the judgment of those preparing the estimate. Because these estimates depend on many assumptions, all of which may differ from actual results, reserves estimates, and estimates of future net revenue will be different from the sales volumes ultimately recovered and net revenues actually realized. Changes in market conditions, regulatory matters, the results of subsequent drilling, testing and production and other factors may result in revisions to the original estimates.

Reserves estimates impact the assessment of whether a new well has found economically recoverable reserves, depletion rates, the estimated fair value of petroleum and natural gas properties acquired in a business combination, the estimated recoverable amount of petroleum and natural gas properties used for the purposes of impairment and impairment reversal assessments and the estimated timing of payments to settle asset retirement obligations. Changes in reserves estimates could impact these and other matters resulting in a material impact on net earnings. The Company's petroleum and natural gas reserves have been evaluated at December 31, 2025 and 2024 by an independent qualified reserves evaluator ("IQRE").

Exploration or Development

The Company is required to apply judgment when initially designating a project as E&E or development, including assessments of geological and technical characteristics and other factors related to each project.

Exploration and Evaluation Projects

The accounting for E&E projects requires Management to make judgments as to whether exploratory projects have discovered economically recoverable quantities of petroleum and natural gas, which requires the quantity and realizable value of such petroleum and natural gas to be estimated. Previous estimates are sometimes revised as new information becomes available. Where it is determined that an exploratory project did not discover economically recoverable petroleum and natural gas, the costs are written-off as E&E expense.

If hydrocarbons are encountered, but further appraisal activity is required, the exploratory costs remain capitalized as long as sufficient progress is being made in assessing whether the recovery of the petroleum and natural gas is economically viable. The concept of "sufficient progress" is a judgmental area, and it is possible for exploratory costs to remain capitalized for several years while additional exploratory activities are carried out or the Company seeks regulatory, partner or other approvals for development plans. E&E assets are subject to ongoing technical, commercial and Management review to confirm the continued intent to establish the technical feasibility and commercial viability of the project. Factors considered by Management in making this assessment may include: project economics, expected quantities of petroleum and natural gas, expected production techniques, drilling results, estimated capital expenditures and production costs, results of other operators in the region and access to infrastructure and potential infrastructure expansions. Where it is determined that an exploratory project is not economically viable, the costs are written-off as E&E expense.

Notes to the Consolidated Financial Statements

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

Estimates of Recoverable Amounts

Impairment and impairment reversal assessments are performed when Management identifies an indicator of impairment or impairment reversal. In assessing the existence of impairment or impairment reversal indicators, Management exercises judgment and considers a number of internal and external factors. Estimates of recoverable amounts used in impairment and impairment reversal assessments often incorporate level three fair value hierarchy inputs, including volumes of and the net present value of future net revenues from proved plus probable reserves estimated by Paramount's IQRE, contingent resource estimates, future net cash flow estimates related to other long-lived assets and internal and external market metrics used to estimate fair value based on comparable assets and transactions. By their nature, such estimates are subject to measurement uncertainty. Changes in such estimates and differences between actual and estimated amounts could materially affect the carrying value of assets and have a material impact on net earnings.

Determination of CGUs

The recoverability of the carrying value of petroleum and natural gas assets is generally assessed at the CGU level. The determination of the properties and other assets grouped within a particular CGU is based on Management's judgment with respect to the integration between assets, shared infrastructure and cash flows, the overall significance of individual properties and the manner in which Management monitors its operations and allocates capital. Changes in the assets comprising a CGU could have an impact on estimated recoverable amounts used in impairment assessments and could have a material impact on the carrying value of assets and net earnings.

Depletion

Depletion rates are determined based on Management's estimates of the expected usage pattern of the Company's petroleum and natural gas assets, including assumptions regarding future production volumes, future development capital and the useful lives of production equipment and gathering systems.

Investments in Securities

The Company's investments in securities are accounted for as fair value through OCI financial assets. Management is required to exercise judgment in estimating the fair value of investments in the securities of corporations that are not publicly traded using available market inputs and other assumptions. Changes in estimates of fair value for such investments could have a material impact on the carrying value of such investments and comprehensive income.

Provisions and Contingent Liabilities

The determination of provisions and disclosure of contingent liabilities involves Management judgments about the probable outcomes of future events and estimates concerning the timing and amount of expected future cash flows. The actual amount and timing of payments to settle provisions may differ materially from estimates.

Notes to the Consolidated Financial Statements

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

Asset Retirement Obligations

The Company provides for asset retirement obligations relating to its petroleum and natural gas properties based on current legislation and operating practices. In estimating future asset retirement obligations, the Company makes assumptions concerning, among other things:

- i. the nature and scope of work required to abandon and reclaim properties and the costs thereof, which incorporate the Company's prior experience in abandoning properties with similar characteristics, any site-specific assessments and other available benchmarks;
- ii. the dates that abandonment and reclamation work will be performed in the future, which incorporates expectations of the productive lives of properties and the requirements of applicable laws; and
- iii. the inflation rate and the credit-adjusted risk-free discount rate.

The actual amount and timing of payments to settle asset retirement obligations may materially differ from estimates due to, among other things, changes in laws and regulations, changes in technology, changes in operating practices, discovery and analysis of site conditions, revisions to work scope and changes in the life of petroleum and nature gas reserves. These differences may also have a material impact on the Company's estimate of its asset retirement obligations in the future.

Share-Based Payments

The Company estimates the grant date fair value of Paramount Options awarded using the Black-Scholes model. The inputs used to determine the estimated fair value of Paramount Options are based on assumptions regarding share price volatility, the life of the options, forfeiture rates, the risk-free interest rate and the dividend yield on the Common Shares. By their nature, these inputs are subject to measurement uncertainty and require Management to exercise judgment.

Income Taxes

Accounting for income taxes is a complex process requiring Management to interpret frequently changing laws and regulations and make judgments and estimates related to the application of tax law, the timing of temporary difference reversals and the likelihood of realizing deferred income tax assets. All tax filings are subject to subsequent government audits and potential reassessment. These interpretations and judgments, and changes related to them, impact current and deferred income tax provisions and the carrying value of deferred income tax assets and liabilities and could have a material impact on net earnings.

4. Grande Prairie Disposition

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"). The Purchase Price after adjustments totaled \$3.243 billion, resulting in a gain on sale of oil and gas assets of \$1.595 billion being recorded in respect of the Grande Prairie Disposition in 2025. In connection with the Grande Prairie Disposition, the acquiror assumed Paramount's processing and transportation commitments related to the Sold Assets.

Notes to the Consolidated Financial Statements

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

The assets and liabilities associated with the Grande Prairie Disposition were presented as held for sale at December 31, 2024 as follows:

| As at December 31 | 2024 |
|--|---------|
| Property, plant and equipment, net | 1,796.1 |
| Exploration and evaluation | 107.1 |
| Assets held for sale | 1,903.2 |
| Asset retirement obligations | 286.7 |
| Lease liabilities | 0.4 |
| Liabilities associated with assets held for sale | 287.1 |

5. Exploration and Evaluation

| Year ended December 31 | 2025 | 2024 |
|---|--------------|--------------|
| Balance, beginning of year | 427.1 | 546.6 |
| Additions | 47.5 | 15.7 |
| Acquisitions | 85.7 | 14.0 |
| Change in asset retirement provision | – | 1.2 |
| Transfers to property, plant and equipment | (69.6) | (16.2) |
| Expired lease costs | (0.8) | (14.6) |
| Reversal of exploration and evaluation asset impairment | 7.7 | – |
| Dispositions | (7.9) | (12.5) |
| Transfer to assets held for sale (see Note 4) | – | (107.1) |
| Balance, end of year | 489.7 | 427.1 |

Exploration and Evaluation Expense

| Year ended December 31 | 2025 | 2024 |
|---|------------|-------------|
| Geological and geophysical expense | 13.3 | 12.7 |
| Reversal of exploration and evaluation asset impairment | (7.7) | – |
| Expired lease costs | 0.8 | 14.6 |
| | 6.4 | 27.3 |

In 2025, the Company sold certain previously impaired exploration and evaluation assets for \$7.7 million in common shares of the acquiror. Paramount recorded a \$7.7 million reversal of previously recorded impairment charges relating to these assets in 2025.

With the sanctioning of the Sinclair Montney development in the fourth quarter of 2025, certain exploration and evaluation assets were transferred from exploration and evaluation assets to petroleum and natural gas assets within property, plant and equipment.

At December 31, 2025, the Company assessed its exploration and evaluation assets for indicators of potential impairment or impairment reversal and none were identified.

Notes to the Consolidated Financial Statements

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

6. Property, Plant and Equipment

| Year ended December 31, 2025 | Petroleum and natural gas assets | Drilling rigs | Right-of-use assets | Other | Total |
|--|----------------------------------|----------------|---------------------|---------------|------------------|
| Cost | | | | | |
| Balance, December 31, 2024 | 2,744.6 | 175.2 | 29.5 | 63.4 | 3,012.7 |
| Additions | 736.2 | 8.5 | 0.9 | 2.4 | 748.0 |
| Acquisitions | 13.4 | – | – | – | 13.4 |
| Transfers | 69.6 | – | – | – | 69.6 |
| Dispositions | (18.9) | – | (1.4) | – | (20.3) |
| Derecognition | – | (1.1) | (1.2) | – | (2.3) |
| Change in asset retirement provision | 40.5 | – | – | – | 40.5 |
| Cost, December 31, 2025 | 3,585.4 | 182.6 | 27.8 | 65.8 | 3,861.6 |
| Accumulated depletion and depreciation | | | | | |
| Balance, December 31, 2024 | (1,357.5) | (98.4) | (9.7) | (37.2) | (1,502.8) |
| Depletion and depreciation | (235.6) | (11.7) | (4.0) | (5.3) | (256.6) |
| Dispositions | 0.2 | – | 1.4 | – | 1.6 |
| Derecognition | – | 1.1 | 1.0 | – | 2.1 |
| Accumulated depletion and depreciation, December 31, 2025 | (1,592.9) | (109.0) | (11.3) | (42.5) | (1,755.7) |
| Net book value, December 31, 2024 | 1,387.1 | 76.8 | 19.8 | 26.2 | 1,509.9 |
| Net book value, December 31, 2025 | 1,992.5 | 73.6 | 16.5 | 23.3 | 2,105.9 |

| Year ended December 31, 2024 | Petroleum and natural gas assets | Drilling rigs | Right-of-use assets | Other | Total |
|--|----------------------------------|---------------|---------------------|---------------|------------------|
| Cost | | | | | |
| Balance, December 31, 2023 | 5,412.3 | 175.8 | 29.7 | 57.4 | 5,675.2 |
| Additions | 820.6 | 8.4 | 3.6 | 6.0 | 838.6 |
| Transfers | 16.2 | – | – | – | 16.2 |
| Dispositions | (97.6) | – | (1.8) | – | (99.4) |
| Derecognition | – | (9.0) | (1.2) | – | (10.2) |
| Change in asset retirement provision | 36.4 | – | – | – | 36.4 |
| Transfer to assets held for sale (See Note 4) | (3,443.3) | – | (0.8) | – | (3,444.1) |
| Cost, December 31, 2024 | 2,744.6 | 175.2 | 29.5 | 63.4 | 3,012.7 |
| Accumulated depletion and depreciation | | | | | |
| Balance, December 31, 2023 | (2,664.2) | (96.9) | (8.9) | (31.1) | (2,801.1) |
| Depletion and depreciation | (402.5) | (10.5) | (4.3) | (6.1) | (423.4) |
| Dispositions | 61.7 | – | 1.8 | – | 63.5 |
| Derecognition | – | 9.0 | 1.2 | – | 10.2 |
| Transfer to assets held for sale (See Note 4) | 1,647.5 | – | 0.5 | – | 1,648.0 |
| Accumulated depletion and depreciation, December 31, 2024 | (1,357.5) | (98.4) | (9.7) | (37.2) | (1,502.8) |
| Net book value, December 31, 2023 | 2,748.1 | 78.9 | 20.8 | 26.3 | 2,874.1 |
| Net book value, December 31, 2024 | 1,387.1 | 76.8 | 19.8 | 26.2 | 1,509.9 |

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.

Notes to the Consolidated Financial Statements

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

Depletion and Depreciation

| Year ended December 31 | 2025 | 2024 |
|--|-------|-------|
| Depletion and depreciation | 250.5 | 415.3 |
| Change in asset retirement obligations | (3.1) | 14.6 |
| | 247.4 | 429.9 |

For the year ended December 31, 2025, the Company recorded a recovery of \$3.1 million (2024 – charge of \$14.6 million) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment. In 2024, the changes mainly resulted from 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 December 31, 2025, the Company assessed its property, plant and equipment assets for indicators of potential impairment and none were identified.

7. Investments in Securities

| As at December 31 | 2025 | 2024 |
|------------------------|-------|-------|
| Level One Securities | 10.7 | 439.2 |
| Level Three Securities | 126.6 | 124.7 |
| | 137.3 | 563.9 |

Level One Securities at December 31, 2024 included 31.3 million common shares of NuVista Energy Ltd. ("NuVista Shares"), which had a carrying value of \$431.9 million. In 2025, the Company sold all of these NuVista Shares for aggregate cash proceeds of \$519.2 million, resulting in \$413.7 million of accumulated gains, net of tax, being reclassified from reserves to retained earnings.

Level Three Securities at December 31, 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. In 2025, Paramount sold all of its shares of 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.

The Company recorded a before tax gain of \$121.4 million to OCI for the year ended December 31, 2025 (2024 – \$100.9 million) related to changes in the fair value estimates of its investments in securities.

In 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 Consolidated Financial Statements

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

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

| Year ended December 31 | 2025 | 2024 |
|--|--------------|--------------|
| Investments in securities, beginning of year | 563.9 | 540.9 |
| Changes in fair value of Level One Securities | 85.6 | 95.0 |
| Changes in fair value of Level Three Securities | 35.8 | 5.9 |
| Changes in fair value of warrants – recorded in earnings | – | (0.1) |
| Acquired – cash | – | 1.2 |
| Acquired – non-cash (see Note 5) | 7.7 | – |
| Proceeds of disposition | (555.7) | (79.0) |
| Investments in securities, end of year | 137.3 | 563.9 |

8. Long-Term Debt

| As at December 31 | 2025 | 2024 |
|--|----------|--------------|
| Revolving Credit Facility ⁽¹⁾ | – | 173.0 |
| Term Loan Facility | – | – |
| Long-Term Debt | – | 173.0 |

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

The Company has a \$500 million financial covenant-based senior secured revolving bank credit facility (the "Revolving Credit Facility") with a syndicate of lenders. The Revolving Credit Facility has a maturity date of December 15, 2029 and is secured by a charge over substantially all of the assets of the Company and its subsidiaries (the "First Lien Charge").

Borrowings under the Revolving Credit Facility bear interest at the Canadian Overnight Repo Rate Average ("CORRA"), prime lending rate, United States Secured Overnight Financing Rate or the US base rate, as selected by the Company, plus applicable margins which vary based on the Company's Senior Secured Debt to Consolidated EBITDA ratio.

At Paramount's request, the capacity of the Revolving Credit 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 ("Minimum Production").

Paramount also has a \$250 million non-revolving, non-amortizing, delayed draw term loan facility (the "Term Loan Facility") with Export Development Canada. The Company may make drawdowns under the Term Loan Facility to fund capital expenditures related to its Willesden Green and Sinclair developments (excluding the Sinclair plant) prior to December 16, 2027, after which any undrawn availability will be cancelled.

The Term Loan Facility is prepayable without penalty or premium at any time, has a maturity date of December 15, 2030 and is secured by a charge over substantially all of the assets of the Company and its subsidiaries which is subordinated to the First Lien Charge.

Borrowings under the Term Loan Facility bear interest at CORRA plus a fixed margin.

Notes to the Consolidated Financial Statements

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

Paramount is subject to the following three financial covenants under both the Revolving Credit Facility and the Term Loan Facility, which are tested at the end of each fiscal quarter and calculated on a trailing twelve-month basis:

- Senior Secured Debt to Consolidated EBITDA to be 3.50 to 1.00 or less;
- Total Debt to Consolidated EBITDA to be 4.00 to 1.00 or less; and
- Consolidated EBITDA to Consolidated Interest Expense to be 2.50 to 1.00 or greater.

Senior Secured Debt currently consists of any amounts drawn on the Revolving Credit Facility.

Total Debt currently consists of Senior Secured Debt and any amounts drawn on the Term Loan Facility.

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

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

Both the Revolving Credit Facility and the Term Loan Facility contain a covenant requiring prior lender consent for the payment of dividends and other distributions if the Senior Secured Debt to Consolidated EBITDA ratio is greater than 2.50 to 1.00, *pro forma* the payment of the distribution. In addition, until the Company achieves Minimum Production, prior lender consent under both the Revolving Credit Facility and the Term Loan Facility is generally required for distributions other than (i) any regular monthly dividend approved by Paramount's board of directors; or (ii) any repurchase by the Company of its Common Shares pursuant to a normal course issuer bid.

Paramount was in compliance with all financial covenants in the Revolving Credit Facility and the Term Loan Facility at December 31, 2025.

The Company had undrawn letters of credit outstanding under the Revolving Credit Facility totaling \$4.8 million at December 31, 2025 (December 31, 2024 – \$7.5 million) that reduce the amount available to be drawn on the facility.

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 December 31, 2025, \$33.0 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2024 – \$29.4 million).

Notes to the Consolidated Financial Statements

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

9. Asset Retirement Obligations and Other

| As at December 31, 2025 | Current | Long-term | Total |
|---|-------------|--------------|--------------|
| Asset retirement obligations | 30.6 | 343.5 | 374.1 |
| Provisions | 14.3 | 11.9 | 26.2 |
| Lease liabilities | 3.7 | 21.8 | 25.5 |
| Asset retirement obligations and other | 48.6 | 377.2 | 425.8 |

| 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

| Year ended December 31 | 2025 | 2024 |
|---|--------------|--------------|
| Asset retirement obligations, beginning of year | 341.0 | 587.3 |
| Additions | 1.1 | 1.6 |
| Acquisitions | 11.3 | – |
| Change in estimates | 36.3 | 2.3 |
| Change in discount rate | – | 48.3 |
| Obligations settled | (39.0) | (38.1) |
| Dispositions | (1.8) | (16.1) |
| Transfer to liabilities associated with assets held for sale (see Note 4) | – | (286.7) |
| Accretion expense | 25.2 | 42.4 |
| Asset retirement obligations, end of year | 374.1 | 341.0 |

As at December 31, 2025, estimated undiscounted, uninflated asset retirement obligations were \$792.0 million (December 31, 2024 – \$773.7 million, excluding asset retirement obligations associated with assets held for sale). These obligations are expected to be settled over the next 51 years. Asset retirement obligations have been discounted using a credit-adjusted risk-free rate of 7.0 percent per annum (December 31, 2024 – 7.0 percent per annum) and inflated at a rate of 2.0 percent per annum (December 31, 2024 – 2.0 percent per annum).

Changes to the credit-adjusted risk-free rate or the inflation rate would have the following impact on the December 31, 2025 asset retirement obligations:

| | Sensitivity Range | Increase | Decrease |
|--------------------------------|-------------------|----------|----------|
| Credit-adjusted risk-free rate | ± one percent | (40.4) | 49.7 |
| Inflation rate | ± one percent | 51.9 | (42.6) |

Provisions

In July 2025, Paramount identified the Pipeline Release. The Company responded by shutting in the pipeline, immediately commencing clean-up operations and notifying applicable regulators and impacted stakeholders. Paramount has significantly advanced clean-up operations and is continuing its response and investigation activities, including delineation of the release and root cause analysis.

Notes to the Consolidated Financial Statements

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

Paramount recorded a provision of \$38.6 million in 2025 for Response Costs, including approximately \$12 million in costs incurred to December 31, 2025. The provision is expected to be settled over the next nine years. The ultimate financial impact of the Pipeline Release on Paramount is uncertain and will be dependent on a number of factors that have yet to be determined, including the extent and final cost of required remediation, reclamation and monitoring activities.

Paramount maintains insurance against certain of its business risks, including business interruption, pollution and commercial general liability. No amounts have been reflected in the Consolidated Financial Statements in respect of any potential insurance recoveries for the Pipeline Release. Insurance coverage for any losses are recognized only if recovery is virtually certain.

Lease Liabilities

| Year ended December 31 | 2025 | 2024 |
|---|-------------|-------------|
| Lease liabilities, beginning of year | 28.9 | 29.2 |
| Additions | 0.9 | 3.6 |
| Interest expense | 1.5 | 2.0 |
| Transfer to liabilities associated with assets held for sale (see Note 4) | – | (0.4) |
| Obligations settled | (5.8) | (5.5) |
| Lease liabilities, end of year | 25.5 | 28.9 |

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 year ended December 31, 2025, total cash principal payments made in respect of these lease liabilities were \$4.0 million (2024 – \$3.9 million).

For the year ended December 31, 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 \$2.7 million (2024 – \$2.5 million).

At December 31, 2025, the undiscounted minimum lease payments payable by the Company under lease arrangements are as follows:

| | |
|---|-------------|
| Within one year | 5.3 |
| After one year but not more than five years | 13.0 |
| More than five years | 16.5 |
| | 34.8 |

10. Share Capital

Paramount's authorized share capital consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares, issuable in series. At December 31, 2025, 144.2 million (December 31, 2024 – 146.9 million) Common Shares were outstanding, net of 0.2 million (December 31, 2024 – 0.4 million) Common Shares held in trust under the CBRSU plan. No preferred shares were issued and outstanding as at December 31, 2025 or December 31, 2024.

In February 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 (the "Special Distribution"), comprised of a \$12.00 return of capital, totaling \$1,718 million, and a \$3.00 special dividend totaling \$430 million.

Notes to the Consolidated Financial Statements

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

For the year ended December 31, 2025, the Company also paid regular monthly cash dividends totaling \$0.70 per Common Share or \$101.1 million (2024 – \$1.70 per Common Share or \$248.2 million). Subsequent to December 31, 2025, the Company declared and paid two \$0.05 per Common Share regular monthly cash dividends totaling \$14.4 million. In March 2026, Paramount's Board of Directors declared a cash dividend of \$0.05 per Common Share to be payable on March 31, 2026 to shareholders of record on March 16, 2026.

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 Company purchased and cancelled a total of 5.7 million Common Shares under the 2024 NCIB at a total cost of \$177.0 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 year ended December 31, 2025 was also reduced by \$2.1 million in respect of the two percent Canadian federal tax on net share repurchases.

For the year ended December 31, 2025, Paramount issued 2.0 million Common Shares on the exercise of Paramount Options for total cash consideration of \$16.5 million (see Note 12) (2024 – 3.4 million Common Shares for total consideration of \$30.9 million).

Net Income Per Common Share – Basic and Diluted

| Year ended December 31 | 2025 | 2024 |
|--|--------------|-------|
| Net income – basic and diluted | 1,288.7 | 335.9 |
| Basic – weighted average Common Shares (millions) | 143.8 | 146.0 |
| Dilutive effect of Paramount Options (millions) | 3.0 | 3.2 |
| Diluted – weighted average Common Shares (millions) | 146.8 | 149.2 |
| Net income per Common Share – basic (\$/share) | 8.96 | 2.30 |
| Net income per Common Share – diluted (\$/share) | 8.78 | 2.25 |

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 year ended December 31, 2025, 0.5 million Paramount Options were anti-dilutive (2024 – 3.9 million).

Notes to the Consolidated Financial Statements

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

11. Reserves

Reserves at December 31, 2025 include unrealized gains and losses on cash flow hedges, unrealized gains and losses related to changes in the market value of investments in securities and contributed surplus amounts in respect of Paramount Options and the CBRSU plan.

The changes in reserves are as follows:

| Year ended December 31, 2025 | Unrealized gains on cash flow hedges | Unrealized gains on securities | Contributed surplus | Total reserves |
|---|---|---------------------------------------|----------------------------|-----------------------|
| Balance, beginning of year | 0.4 | 416.4 | 188.5 | 605.3 |
| Other comprehensive income, before tax | 2.7 | 121.4 | – | 124.1 |
| Deferred tax | (0.7) | (14.4) | – | (15.1) |
| Reclassification of accumulated gain on securities, net of tax (see Note 7) | – | (432.4) | – | (432.4) |
| Share-based compensation | – | – | (0.6) | (0.6) |
| Paramount Options exercised | – | – | (8.2) | (8.2) |
| Balance, end of year | 2.4 | 91.0 | 179.7 | 273.1 |

| Year ended December 31, 2024 | Unrealized gains on cash flow hedges | Unrealized gains on securities | Contributed surplus | Total reserves |
|---|---|---------------------------------------|----------------------------|-----------------------|
| Balance, beginning of year | 0.8 | 384.4 | 179.6 | 564.8 |
| Other comprehensive income (loss), before tax | (0.5) | 100.9 | – | 100.4 |
| Deferred tax | 0.1 | (11.2) | – | (11.1) |
| Reclassification of accumulated gain on securities, net of tax (see Note 7) | – | (57.7) | – | (57.7) |
| Share-based compensation | – | – | 18.4 | 18.4 |
| Paramount Options exercised | – | – | (9.5) | (9.5) |
| Balance, end of year | 0.4 | 416.4 | 188.5 | 605.3 |

Notes to the Consolidated Financial Statements

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

12. Share-Based Compensation

Paramount Options

| | 2025 | | 2024 | |
|---|------------------------------|--|------------------------------|--|
| | Paramount Options (millions) | Weighted average exercise price (\$/share) | Paramount Options (millions) | Weighted average exercise price (\$/share) |
| Balance, beginning of year | 8.2 | 20.52 | 11.8 | 17.11 |
| Granted | 4.0 | 20.17 | 0.2 | 29.37 |
| Exercised ⁽¹⁾ | (2.0) | 7.81 | (3.4) | 9.05 |
| Surrendered for cash payment ⁽²⁾ | (0.9) | 4.62 | – | – |
| Reduction in exercise price ⁽³⁾ | – | (11.03) | – | – |
| Cancelled or forfeited | (0.6) | 12.86 | (0.3) | 22.72 |
| Expired | – | – | (0.1) | 31.75 |
| Balance, end of year | 8.7 | 14.57 | 8.2 | 20.52 |
| Options exercisable, end of year | 2.5 | 10.02 | 3.1 | 16.90 |

(1) For Paramount Options exercised during the year ended December 31, 2025, the weighted average market price of Common Shares on the dates exercised was \$25.33 per share (2024 – \$29.31 per share).

(2) For Paramount Options surrendered in connection with the Special Distribution in February 2025, the market price of the Common Shares was \$29.01 per share.

(3) 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:

- i. all 0.5 million 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 for the year ended December 31, 2025 includes \$22.0 million in respect of the cash payments made by the Company on the surrender of 0.9 million Paramount Options.

The weighted average remaining contractual life and exercise prices of Paramount Options outstanding as at December 31, 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 – \$9.99 | 1.2 | 1.3 | 1.35 | 0.7 | 1.3 | 1.34 |
| \$10.00 – \$14.99 | 3.4 | 2.9 | 12.63 | 1.4 | 2.7 | 12.83 |
| \$15.00 – \$19.99 | 2.0 | 4.2 | 15.86 | 0.4 | 3.8 | 15.92 |
| \$20.00 – \$24.23 | 2.1 | 5.3 | 24.18 | – | – | – |
| | 8.7 | 3.5 | 14.57 | 2.5 | 2.5 | 10.02 |

Notes to the Consolidated Financial Statements

(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) | 20.17 | 29.37 |
| Volatility (%) | 40 | 34 |
| Expected life (years) | 4.2 | 3.7 |
| Pre-vest annual forfeiture rate (%) | 11.3 | 13.0 |
| Risk-free interest rate (%) | 2.6 | 3.6 |
| Dividend yield (%) | 3.0 | 5.8 |
| Weighted average fair value of awards (\$ / option) | 5.57 | 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.

CBRSU Plan – Shares Held in Trust

| Year ended December 31 | 2025 | | 2024 | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Shares (millions) | Shares (millions) | Shares (millions) | Shares (millions) |
| Balance, beginning of year | 0.4 | 11.3 | 0.4 | 3.4 |
| Net change in vested and unvested shares | (0.2) | (8.4) | – | 7.9 |
| Balance, end of year | 0.2 | 2.9 | 0.4 | 11.3 |

During the year ended December 31, 2025, 1.3 million Common Shares were purchased under the Company's CBRSU plan at a total cost of \$20.2 million (2024 – 0.6 million Common Shares purchased at a total cost of \$18.8 million) and 1.5 million Common Shares having a cost of \$28.6 million were released to CBRSU plan participants (2024 – 0.6 million Common Shares released a cost of \$10.9 million).

Employee Benefit Costs

| Year ended December 31 | 2025 | 2024 |
|----------------------------------|--------------|--------------|
| Paramount Option plan | 7.3 | 11.6 |
| CBRSU plan | 41.7 | 31.9 |
| Share-based compensation expense | 49.0 | 43.5 |
| Salaries and benefits | 62.7 | 63.3 |
| | 111.7 | 106.8 |

Notes to the Consolidated Financial Statements

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

13. Income Tax

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

| Year ended December 31 | 2025 | 2024 |
|--|--------------|-------------|
| Income before tax | 1,671.0 | 396.8 |
| Effective statutory income tax rate | 23.0% | 23.0% |
| Expected income tax expense | 384.3 | 91.3 |
| Effect of: | | |
| Share-based compensation | 0.2 | 1.7 |
| Change in unrecognized deferred income tax asset | – | (31.8) |
| Transaction and reorganization costs | 5.1 | – |
| Loss (gain) on sale of oil and gas assets | (5.2) | 1.8 |
| Non-deductible items and other | (2.1) | (2.1) |
| Income tax expense | 382.3 | 60.9 |

The following table summarizes the components of the deferred income tax (liability) asset:

| As at December 31 | 2025 | 2024 |
|---|----------------|--------------|
| Property, plant and equipment | (522.4) | (435.8) |
| Investments in securities | (15.5) | (53.7) |
| Asset retirement obligations, provisions and liabilities associated with assets held for sale | 92.1 | 144.5 |
| Non-capital losses and scientific research & experimental development | 164.7 | 460.6 |
| Other | 15.2 | 15.9 |
| Deferred income tax (liability) asset | (265.9) | 131.5 |

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

| Year ended December 31 | 2025 | 2024 |
|---|----------------|--------------|
| Deferred income tax asset, beginning of year | 131.5 | 203.5 |
| Deferred income tax expense | (382.3) | (60.9) |
| Deferred income tax expense included in OCI | (15.1) | (11.1) |
| Deferred income tax (liability) asset, end of year | (265.9) | 131.5 |

At December 31, 2025, the Company had \$161.2 million (December 31, 2024 – \$157.6 million) of deductible temporary differences, mainly related to successored resource pools, that do not expire and for which no deferred income tax asset has been recognized.

Notes to the Consolidated Financial Statements

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

14. Financial Instruments and Risk Management

Financial Instruments

Financial instruments at December 31, 2025 consist of cash and cash equivalents, accounts receivable, risk management assets and liabilities, investments in securities and accounts payable and accrued liabilities. 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 year ended December 31, 2025 are as follows:

| Year ended December 31, 2025 | Financial commodity contracts ⁽³⁾ | Foreign currency exchange contracts | Electricity swaps | Total |
|---|--|-------------------------------------|-------------------|---------------|
| Fair value of asset (liability), beginning of year | 3.8 | – | 0.5 | 4.3 |
| Changes in fair value – gain ⁽¹⁾ | 37.6 | 4.0 | – | 41.6 |
| Changes in fair value – OCI | – | – | (0.4) | (0.4) |
| Risk management contract settlements (received) paid ⁽²⁾ | (50.8) | – | 3.1 | (47.7) |
| Fair value of asset (liability), end of year | (9.4) | 4.0 | 3.2 | (2.2) |
| Risk management asset – current | – | 2.1 | – | 2.1 |
| Risk management asset – long-term | – | 1.9 | 4.3 | 6.2 |
| Risk management asset, December 31, 2025 | – | 4.0 | 4.3 | 8.3 |
| Risk management (liability) – current | (2.2) | – | (1.1) | (3.3) |
| Risk management (liability) – long-term | (7.2) | – | – | (7.2) |
| Risk management (liability), December 31, 2025 | (9.4) | – | (1.1) | (10.5) |

(1) Changes in fair value of \$41.6 million related to financial commodity and foreign currency exchange contracts are recorded as gains on risk management contracts.

(2) Receipts on risk management contract settlements related to financial commodity contracts totaled \$50.8 million. Risk management contract settlements relating to electricity swaps are recorded in operating expense.

(3) Financial commodity contracts include an embedded derivative with a liability of \$2.6 million.

Notes to the Consolidated Financial Statements

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

Changes in the fair value of risk management assets and liabilities for the year ended December 31, 2024 are as follows:

| Year ended December 31, 2024 | Financial commodity contracts ⁽³⁾ | Foreign currency exchange contracts | Electricity swaps | Total |
|---|--|-------------------------------------|-------------------|--------------|
| Fair value of asset (liability), beginning of year | – | 8.4 | 1.0 | 9.4 |
| Changes in fair value – gain (loss) ⁽¹⁾ | 49.3 | (17.5) | – | 31.8 |
| Changes in fair value – OCI | – | – | (0.8) | (0.8) |
| Risk management contract settlements (received) paid ⁽²⁾ | (45.5) | 9.1 | 0.3 | (36.1) |
| Fair value of asset (liability), end of year | 3.8 | – | 0.5 | 4.3 |
| Risk management asset – current | 8.3 | – | – | 8.3 |
| Risk management asset – long-term | – | – | 1.2 | 1.2 |
| Risk management asset, December 31, 2024 | 8.3 | – | 1.2 | 9.5 |
| Risk management (liability) – current | – | – | (0.7) | (0.7) |
| Risk management (liability) – long-term | (4.5) | – | – | (4.5) |
| Risk management (liability), December 31, 2024 | (4.5) | – | (0.7) | (5.2) |

- (1) Changes in fair value of \$31.8 million related to financial commodity and foreign currency exchange contracts are recorded as gains on risk management contracts.
(2) Receipts on risk management contract settlements related to financial commodity and foreign currency exchange contracts totaled \$36.4 million. Risk management contract settlements relating to electricity swaps are recorded in operating expense.
(3) Financial commodity contracts include an embedded derivative with a liability of \$2.4 million.

The Company had the following risk management contracts as at December 31, 2025:

| Instruments | Aggregate notional | Average price or rate | Remaining term |
|---|---------------------------|---|------------------------------|
| Financial Commodity Contracts | | | |
| <i>Natural Gas</i> | | | |
| Citygate / Malin Basis Swap ⁽¹⁾ | 10,000 MMBtu/d | Citygate less US\$0.97/MMBtu (Sell) Malin (Buy) | January 2026 – October 2028 |
| Foreign Currency Exchange Contracts ⁽²⁾ | | | |
| Average Rate Forward | US\$10 million / month | 1.3810 CAD\$/US\$1.00 | January 2026 – December 2026 |
| Average Rate Forward | US\$10 million / month | 1.3680 CAD\$/US\$1.00 | January 2027 – December 2027 |
| Electricity Contracts ⁽³⁾ | | | |
| Swaps (Buy) | 120 MWh/d | \$58.19/MWh | January 2026 – December 2028 |
| Swaps (Buy) | 120 MWh/d | \$58.79/MWh | January 2026 – December 2029 |
| Swaps (Buy) | 120 MWh/d | \$61.73/MWh | January 2026 – December 2030 |

- (1) "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.
(2) Forward rate settled monthly against the average of the US\$/CAD\$ noon spot rate on each applicable day in that month.
(3) Reference electricity rate: Floating hourly rate established by the Alberta Electric System Operator ("AESO"). "MWh" means megawatt-hour.

In April 2024, Paramount entered into NYMEX WTI swaps (sale) in respect of 14,250 Bbl/d of oil at an average price of \$111.67/Bbl from April 2024 to December 2024. In June 2024, the Company terminated and closed out the outstanding portion of these swaps for aggregate cash proceeds of \$37.9 million.

Notes to the Consolidated Financial Statements

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

The Company has an agreement to deliver between 500 Bbl/d and 1,000 Bbl/d of propane until January 31, 2029 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. As a result of the pricing formula, the contract contains an embedded derivative. Changes in the fair value of this derivative are reflected as gains or losses on risk management contracts in net earnings. The Company has identified the host contract as a propane sales agreement with a Conway propane price.

Paramount has electricity swaps that were designated at inception as cash flow hedges, to manage exposure to the variable market price of electricity by fixing the underlying AESO Pool Price on a portion of the Company's anticipated power requirements to 2030. A hedge ratio of 1 to 1 was established as the underlying risk of the electricity swaps were identical to the hedged risk components (electricity costs paid on the AESO Pool Price). There were no changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified at December 31, 2025.

Commodity Price Risk

Paramount uses financial commodity contracts from time to time to manage exposure to commodity price volatility. The Company is exposed to commodity price risk on these instruments, as changes in underlying commodity prices impact the market values of the contracts and ultimately the amounts received or paid upon settlement.

The following table summarizes the sensitivity of the fair value of Paramount's Citygate/Malin basis swap contracts outstanding at December 31, 2025 to independent fluctuations in the spread between the natural gas benchmark prices at Pacific Gas & Electric at Citygate and Pacific Gas & Electric Malin (the "Citygate/Malin Spread"), assuming all other variables are constant. The impact of fluctuating Citygate/Malin Spreads on the Company's December 31, 2025 open Citygate/Malin basis swap contract positions would have resulted in an unrealized gain (loss) impacting income before income tax as follows:⁽¹⁾

| | Increase in Citygate/Malin Spread | Decrease in Citygate/Malin Spread |
|--------------------------|--------------------------------------|--------------------------------------|
| Income before income tax | 7.1 | (7.1) |

(1) Sensitivities are based on a US\$0.50 per MMBtu increase or decrease in the Citygate/Malin spread.

Foreign Currency Exchange Risk

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

Notes to the Consolidated Financial Statements

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

The following table summarizes the sensitivity of the fair value of Paramount's financial commodity contracts, foreign currency exchange contracts and U.S. dollar denominated financial instruments outstanding at December 31, 2025 to independent fluctuations in foreign currency exchange rates, with all other variables held constant. The impact of fluctuating foreign currency exchange rates on the Company's December 31, 2025 open financial commodity and foreign currency exchange contract positions and U.S. dollar denominated financial instruments would have resulted in an unrealized gain (loss) impacting income before income tax as follows: ⁽¹⁾

| | Increase in Foreign Currency Exchange Rate | Decrease in Foreign Currency Exchange Rate |
|--------------------------|--|--|
| Income before income tax | (9.8) | 9.8 |

(1) Sensitivities are based on a \$0.05 increase or decrease in CAD\$/US\$ foreign currency exchange rates at December 31, 2025, assuming all other variables are constant.

Credit Risk

Paramount is exposed to credit risk on its financial instruments where a loss would be experienced if a counterparty to a financial asset failed to meet its obligations. The maximum credit risk exposure at December 31, 2025 is limited to the carrying value of cash and cash equivalents, accounts receivable and risk management assets.

Paramount's primary objectives with respect to financial assets are to minimize credit and other financial risks and to maintain adequate levels of liquidity. The Company's cash and cash equivalents and risk management contracts are held with entities that have investment grade credit ratings. Accounts receivable include balances due from customers and partners in the oil and gas industry and are subject to normal industry credit risk. The Company manages credit risk by endeavoring to sell its production to and enter into risk management contracts with counterparties that possess high credit ratings, employing net settlement agreements, obtaining letters of credit and limiting available credit when necessary. The change in the fair value of risk management contracts attributable to changes in counterparty credit risk is immaterial, as the counterparties to such contracts have investment grade credit ratings.

Interest Rate Risk

Paramount is exposed to interest rate risk on outstanding balances on both the Revolving Credit Facility and the Term Loan Facility and on interest bearing cash and cash equivalents. From time to time, the Company may enter into interest rate swaps to manage exposure to changes in interest rates on long-term debt.

Liquidity Risk

Liquidity risk is the risk that Paramount will be unable to meet its financial obligations as they become due. The Company manages liquidity risk by ensuring that it has sufficient cash and cash equivalents, credit facilities and other financial resources available to meet its obligations.

The Company regularly updates its forecasts of short-term and longer-term cash flows to identify financial requirements. These requirements are met through a combination of cash flows from operating activities, cash and cash equivalents, and if required, credit facilities, the sale of assets and capital market transactions.

Notes to the Consolidated Financial Statements

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

The Company's contractual obligations related to financial liabilities at December 31, 2025 were as follows:⁽¹⁾

| | 2026 |
|--|--------------|
| Accounts payable & accrued liabilities | 173.2 |
| | 173.2 |

(1) Excludes lease liabilities and risk management liabilities.

Accounts Payable and Accrued Liabilities

| As at December 31 | 2025 | 2024 |
|------------------------------------|--------------|-------------|
| Trade and accrued payables | 166.6 | 223.7 |
| Joint operation and other payables | 6.6 | 3.3 |
| | 173.2 | 227.0 |

Trade and accrued payables and joint operation and other payables are non-interest bearing and are normally settled within 30 to 60 days.

Accounts Receivable

| As at December 31 | 2025 | 2024 |
|---------------------------------------|-------------|-------------|
| Revenue receivable | 68.2 | 162.1 |
| Joint operation and other receivables | 30.2 | 30.5 |
| | 98.4 | 192.6 |

Revenue, joint operation and other receivables are non-interest bearing and are generally settled within 30 days. Accounts receivable that share similar credit risk characteristics are assessed for expected credit losses at each reporting date, including for changes in historical default rates, ages of balances outstanding and counterparty credit metrics. The total expected credit loss on the Company's accounts receivable was approximately 3 percent as at December 31, 2025 (December 31, 2024 – 2 percent).

For the year ended December 31, 2025, the Company had sales to one customer totaling \$201.5 million (2024 – one customer totaling \$419.1 million), which exceeded ten percent of total sales. Both customers have investment grade credit ratings.

15. Revenue By Product

| Year ended December 31 | 2025 | 2024 |
|--|--------------|-------------|
| Natural gas | 145.5 | 223.3 |
| Condensate and oil | 511.3 | 1,434.9 |
| Other natural gas liquids | 42.8 | 89.6 |
| Natural gas transportation assignment income | 18.3 | 0.9 |
| Royalty income and other revenue | 18.5 | 11.5 |
| Royalties | (51.0) | (222.8) |
| Sales of commodities purchased | 280.3 | 317.3 |
| | 965.7 | 1,854.7 |

Natural gas transportation assignment income 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 Consolidated Financial Statements

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

In 2025, the Company's insurance claims for 2023 Alberta wildfire business interruption losses were finalized, with an aggregate claim of \$26.8 million being agreed by insurers (the "Wildfire Claim"). Royalty income and other revenue for the year ended December 31, 2025 includes \$16.8 million (2024 – \$10.0 million) relating to the Wildfire Claim.

16. Dividend Income and Other

| Year ended December 31 | 2025 | 2024 |
|------------------------|-------|--------|
| Dividend income | (8.6) | (12.3) |
| Other | 1.7 | (0.6) |
| | (6.9) | (12.9) |

Dividend income for the year ended December 31, 2025 includes \$7.8 million (2024 – \$11.8 million) received from Sultran Ltd., one of the Company's Level Three Securities.

17. Consolidated Statement of Cash Flows – Selected Information

Items Not Involving Cash

| Year ended December 31 | 2025 | 2024 |
|---|-----------|--------|
| Risk management contracts | 9.2 | 4.6 |
| Share-based compensation | 49.0 | 43.5 |
| Depletion and depreciation | 247.4 | 429.9 |
| Exploration and evaluation | (6.9) | 14.6 |
| Gain on sale of oil and gas assets | (1,607.2) | (15.6) |
| Accretion of asset retirement obligations | 25.2 | 42.4 |
| Deferred income tax expense | 382.3 | 60.9 |
| Other | 3.8 | 1.9 |
| | (897.2) | 582.2 |

Supplemental Cash Flow Information

| Year ended December 31 | 2025 | 2024 |
|------------------------|------|------|
| Interest paid | 2.5 | 4.2 |
| Interest received | 21.5 | 1.9 |

Components of Cash and Cash Equivalents

| As at December 31 | 2025 | 2024 |
|-------------------|-------|------|
| Cash | 730.8 | 2.4 |
| Cash equivalents | – | – |
| | 730.8 | 2.4 |

Cash and cash equivalents is comprised of interest-bearing demand deposits with a number of banks. Interest earned on deposits in 2025 totaled \$22.5 million (average interest rate of 3.2 percent per annum).

Notes to the Consolidated Financial Statements

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

18. Capital Structure

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

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

- i. ensure liquidity to fund ongoing operations and capital programs, the settlement of obligations when due and the payment of regular monthly dividends;
- ii. preserve financial flexibility and access to capital markets, including for the pursuit of strategic initiatives; and
- iii. maximize shareholder returns considering the risk environment.

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

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

Net (Cash) Debt

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

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

| As at December 31 | 2025 | 2024 |
|--|----------------|--------------|
| Cash and cash equivalents | (730.8) | (2.4) |
| Accounts receivable ⁽¹⁾ | (98.4) | (191.8) |
| Prepaid expenses and other | (16.8) | (17.4) |
| Accounts payable and accrued liabilities | 173.2 | 227.0 |
| Long-term debt | – | 173.0 |
| Net (cash) debt | (672.8) | 188.4 |

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

Notes to the Consolidated Financial Statements

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

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 and provisions.

The calculation of adjusted funds flow is as follows:

| Year ended December 31 | 2025 | 2024 |
|---------------------------------------|--------------|-------|
| Cash from operating activities | 417.3 | 815.3 |
| Change in non-cash working capital | (38.6) | 64.2 |
| Geological and geophysical expense | 13.3 | 12.7 |
| Asset retirement obligations settled | 39.0 | 38.1 |
| Provisions settled | 11.9 | – |
| Transaction and reorganization costs | 24.3 | – |
| Closure costs | – | – |
| Settlements | – | – |
| Adjusted funds flow | 467.2 | 930.3 |

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.

| | 2025 | 2024 |
|---|--------------------------|-------|
| Net (cash) debt, as at December 31 | (672.8) | 188.4 |
| Adjusted funds flow, trailing four quarters ended December 31 | 467.2 | 930.3 |
| Net debt to adjusted funds flow ratio, December 31 | NM ⁽¹⁾ | 0.2x |

(1) NM means not meaningful.

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, asset retirement obligation settlements and provisions settlements, to service the Company's financial obligations, pay dividends, repurchase Common Shares and fund additional growth opportunities. In 2025, the Company updated its free cash flow measure to deduct provisions settled. This update had no impact on 2024 free cash flow.

Notes to the Consolidated Financial Statements

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

The calculation of free cash flow is as follows:

| Year ended December 31 | 2025 | 2024 |
|---------------------------------------|----------------|---------|
| Cash from operating activities | 417.3 | 815.3 |
| Change in non-cash working capital | (38.6) | 64.2 |
| Geological and geophysical expense | 13.3 | 12.7 |
| Asset retirement obligations settled | 39.0 | 38.1 |
| Provisions settled | 11.9 | – |
| Transaction and reorganization costs | 24.3 | – |
| Closure costs | – | – |
| Settlements | – | – |
| Adjusted funds flow | 467.2 | 930.3 |
| Capital expenditures | (788.5) | (842.2) |
| Geological and geophysical expense | (13.3) | (12.7) |
| Asset retirement obligations settled | (39.0) | (38.1) |
| Provisions settled | (11.9) | – |
| Free cash flow | (385.5) | 37.3 |

19. Compensation of Key Management Personnel

| Year ended December 31 | 2025 | 2024 |
|--------------------------|-------------|------|
| Salaries and benefits | 2.7 | 5.7 |
| Share-based compensation | 12.8 | 8.8 |
| | 15.5 | 14.5 |

20. Commitments and Contingencies

Paramount had the following commitments at December 31, 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 | 71.1 | 440.8 | 694.5 |
| Materials purchase and other commitments | 19.9 | 4.5 | – |
| | 91.0 | 445.3 | 694.5 |

Commitments – Physical Contracts

The Company had the following fixed-basis physical contracts at December 31, 2025:

| | Volume | Location | Average price | Remaining Term |
|---------------------------------------|-------------|-------------|---------------|-----------------------------|
| Natural gas basis swap ⁽¹⁾ | 38,654 GJ/d | AECO / Dawn | \$1.59/GJ | January 2026 – 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.

Notes to the Consolidated Financial Statements

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

Contingencies

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

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

CORPORATE INFORMATION

EXECUTIVE OFFICERS

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

P. R. Kinvig
Chief Financial Officer

D. B. Reid
Executive Vice President, Operations

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

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

J. B. Williams
Executive Vice President, Northeast
British Columbia

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

S.C. Fildes
Chief Executive Officer
Lionsgate Capital Ltd.
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

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

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Odyssey Trust Company
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RESERVES EVALUATORS

**McDaniel & Associates
Consultants Ltd.**
Calgary, Alberta

AUDITORS

Ernst & Young LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
("POU")