Paramount resources ltd.

Second Quarter 2026 Results

Paramount Resources Announces Second Quarter 2026 Results, Increased Production Guidance, Sinclair Test Results and Increased Core Land Positions

Calgary, Alberta – August 6, 2026

Paramount Resources Ltd. ("Paramount" or the "Company") (TSX:POU) is pleased to announce its second quarter 2026 financial and operating results, increased 2026 production guidance, record Sinclair Montney test results and expanded land positions at Sinclair and Willesden Green.

HIGHLIGHTS

- Second quarter sales volumes averaged 47,279 Boe/d (49% liquids). [1]
  - Willesden Green sales volumes averaged 27,466 Boe/d (55% liquids). The Company successfully started up the second phase of its Alhambra Plant in early June, doubling the facility's designed raw handling capacity, following a planned plant outage in May. The ramp-up of production through the expanded facility in June significantly exceeded forecast, with natural gas volumes reaching the facility's inlet capacity in the second half of the month. Runtime at the Alhambra Plant continued to be outstanding in the second quarter.
  - Kaybob sales volumes averaged 19,413 Boe/d (40% liquids). Three (3.0 net) Duvernay wells were brought onstream during the quarter, which more than offset natural declines quarter-over-quarter.
- With the stronger than forecast Willesden Green performance, sales volumes in the first half of 2026 averaged 47,765 Boe/d (50% liquids), exceeding the upper end of previous guidance of 46,000 Boe/d (48% liquids).
- Cash from operating activities was $144 million ($0.99 per basic share) in the second quarter. Adjusted funds flow was $176 million ($1.21 per basic share). Free cash flow was ($129) million (($0.88) per basic share). [2]
- Operating expenses were $8.66/Boe in the second quarter of 2026, compared to $9.81/Boe in the previous quarter and $12.39/Boe in the second quarter of 2025. This represents the fifth consecutive quarter of lower unit operating expenses.

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

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

- Second quarter capital expenditures totaled $297 million. Activities in the quarter included:
  - Willesden Green Duvernay – commissioning and start-up of the second phase of the Alhambra Plant, commissioning of the water recycling facility at the Alhambra Plant, the ongoing construction of the pipeline interconnecting the Alhambra and Leafland Plants and of incremental compression and dehydration capacity at the Leafland Plant, the drilling of 11 (11.0 net) Duvernay wells and the bringing on production of ten (10.0 net) Duvernay wells;
  - Sinclair Montney – ongoing work related to advancing construction of the Sinclair Plant, the drilling of three (3.0 net) Montney wells and the completion and flow testing of the Company's second set of two appraisal wells; and
  - Kaybob North Duvernay – the bringing on production of three (3.0 net) Duvernay wells.
- At Sinclair, the Company completed and flow tested its second two (2.0 net) well appraisal pad, testing both the Upper and Lower benches of the Montney formation. The results surpassed expectations, with the wells achieving average raw production rates of 34 MMcf/d and 25 MMcf/d of dry natural gas, respectively, over the final three days of testing. (1) These represent the highest publicly recorded test rates for the two Montney benches in Alberta. (2)
- Following recent acquisitions, Paramount's land position at Sinclair now exceeds 170,000 net acres, providing the flexibility to increase targeted plateau production in the future.
- Gross 210-day peak production from the Company's 16 Duvernay wells brought onstream through the Alhambra Plant in 2025 averaged approximately 1,240 Boe/d (56% liquids) per well. Gross 300-day peak production from the first ten of these wells averaged approximately 1,130 Boe/d (56% liquids) per well. (3) Thirteen of the 16 wells have already paid out, with an average payout period of approximately eight months.
- At Willesden Green, the Company has further expanded its core land position to over 350,000 net acres.
- Approximately 48% of Paramount's forecast natural gas sales volumes for the remainder of 2026 are expected to be priced at diversified markets outside of AECO, including at Dawn, Malin and Emerson.
- The Company now has 7,000 Bbl/d of liquids hedged at an average WTI price of C$109.19/Bbl for the second half of 2026 and 6,000 Bbl/d of liquids hedged at an average WTI price of C$100.34/Bbl for 2027.
- At June 30, 2026, Paramount had $449 million in cash and cash equivalents and undrawn credit facilities totaling $750 million.

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(1) The well tests were conducted by production testing over periods of approximately 13 days and 6 days, respectively. Stated production rates were measured at the wellhead for a period of three days once the wells were considered stabilized after the flow-back of completion fluids. The production rates stated: (i) are test rates only over a short period of time and are not necessarily indicative of long-term performance or of ultimate recovery from the wells tested or from any other future wells that may be drilled by the Company at Sinclair and (ii) are raw gas volumes and do not represent potential sales volumes after processing and related shrinkage. The data should be considered preliminary.

(2) Test rates were compared using public data sources in Alberta. Montney wells that were completed after 2017 with lateral lengths exceeding 3,000 meters within the Montney dry gas area were included for comparison. The Montney dry gas area was defined as wells with an actual/forecasted 12-month cumulative condensate gas ratio of less than 10 Bbl/MMcf. Flow test data were compared relative to similar landing zones in the Montney based on Paramount's internal geological characterizations. Readers are cautioned that comparability may be affected by, among other factors, flowback conditions, completions design, well length, operating conditions, equipment and regulatory limitations.

(3) Gross 210-day and 300-day peak production is the highest daily average production rate for each well, measured at the wellhead, over a rolling 210-day period or 300-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 7% and liquids sales volumes were lower by approximately 13% 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.

- The Company closed the sale of its Fox Drilling subsidiary to AKITA Drilling Ltd. ("AKITA") on June 30, 2026 for approximately 19.3 million AKITA common shares and $3 million cash. The AKITA shares were distributed as a dividend in kind to Paramount shareholders on July 16, 2026.

UPDATED 2026 PRODUCTION GUIDANCE

Paramount is increasing its 2026 sales volumes guidance as a result of continued well outperformance (particularly natural gas), a faster than expected ramp-up of the second phase of the Alhambra Plant and an increase in forecast runtime at Willesden Green driven by continuing strong performance. Annual sales volumes are now expected to range between 51,000 Boe/d and 53,000 Boe/d (49% liquids), representing a 2,000 Boe/d increase at the mid-point.

Forecast capital expenditures and abandonment and reclamation expenditures for the year remain unchanged at between $1,000 million and $1,100 million and at $35 million, respectively.

2026	Prior Guidance	Revised Guidance
Third quarter average sales volumes (Boe/d)	46,500 to 51,500 (51% liquids)	50,000 to 53,000 (47% liquids)
Fourth quarter average sales volumes (Boe/d)	59,000 to 64,000 (53% liquids)	60,000 to 63,000 (49% liquids)
Annual average sales volumes (Boe/d)	48,000 to 52,000 (50% liquids)	51,000 to 53,000 (49% liquids)
Capital expenditures	$1,000 to $1,100 million	No change

2027 OUTLOOK

Paramount continues to expect 2027 annual sales volumes of between 60,000 and 65,000 Boe/d (50% liquids) and a 2027 exit rate of production of over 100,000 Boe/d (35% liquids), approximately double forecast average sales volumes for 2026.

The Company is currently maintaining its outlook for midpoint 2027 annual capital expenditures of $1,000 million.

With the second phase expansion of the Alhambra plant now onstream and strong Willesden Green performance, Paramount is continuing its evaluation and planning of the third phase expansion of the Alhambra Plant, including the possibility of accelerating start-up to the second half of 2028. The Company expects to be in a position to make a final investment decision as early as the fourth quarter of 2026. This will also be weighed against the ongoing assessment of the Black Oil window on the eastern-most part of the Company's Willesden Green lands.

AUGUST DIVIDEND

Paramount's Board of Directors has declared a cash dividend of $0.05 per class A common share that will be payable on August 31, 2026 to shareholders of record on August 17, 2026. The dividend will be designated as an "eligible dividend" for Canadian income tax purposes.

REVIEW OF OPERATIONS

WILLESDEN GREEN

Willesden Green sales volumes averaged 27,466 Boe/d (55% liquids) in the second quarter of 2026 compared to 28,750 Boe/d (59% liquids) in the first quarter.

Following a one-week planned outage, the Company successfully started up the second phase of the Alhambra Plant in early June, doubling the designed raw handling capacity of the facility to 20,000 Bbl/d of liquids and 100 MMcf/d of natural gas. Runtime at the Alhambra Plant, both before and after start-up of the second phase, has exceeded expectations. A total of ten (10.0 net) Duvernay wells were brought on production through the Alhambra Plant on a staggered basis following the expansion in June, with a total of 26 wells now flowing through the facility and filling its raw natural gas inlet capacity.

Additional development activities in the second quarter included the drilling of 11 (11.0 net) Duvernay wells, the ongoing construction of the pipeline interconnecting Alhambra and Leafland and ongoing work to expand compression and dehydration capacity at the Leafland Plant. Also in the second quarter, Paramount finished the commissioning of the water recycling facility at the Alhambra Plant, which is expected to reduce both operating costs and well completion costs in the future. The Company has recently begun to pump produced water directly from the Alhambra Plant to a pad site for use in well completion activities.

Of the 26 Duvernay wells now tied-in to the Alhambra Plant, 19 remain choked as part of Paramount's well drawdown strategy and to manage production within infrastructure capacity. Gross 210-day peak production from the Company's 16 Duvernay wells brought onstream through the Alhambra Plant in 2025 averaged approximately 1,240 Boe/d (56% liquids) per well. Gross 300-day peak production from the first ten of these wells averaged approximately 1,130 Boe/d (56% liquids) per well. [1] Thirteen of the 16 wells have already paid out, with an average payout period of approximately eight months.

Construction of incremental compression and dehydration at the Leafland Plant and the pipeline interconnection of Alhambra and Leafland is nearing completion, with start-up of both expected in August. These enhancements will enable Paramount to optimize the flow of production and the utilization of processing capacities in Willesden Green. The Company began a planned outage at the Leafland Plant in early July to accommodate this work and leveraged the downtime to perform a facility turnaround that was originally scheduled for 2027.

Planned activities for the second half of 2026 include the drilling of 14 (14.0 net) Duvernay wells and the bringing on production of 16 (16.0 net) Duvernay wells.

The Company has further expanded its core land position at Willesden Green to over 350,000 net acres, primarily through acquisitions at Crown land sales in the southern portion of its land base.

(1) Gross 210-day and 300-day peak production is the highest daily average production rate for each well, measured at the wellhead, over a rolling 210-day period or 300-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 7% and liquids sales volumes were lower by approximately 13% 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.

SINCLAIR

Activities at Sinclair in the second quarter included the completion and flow testing of the Company's second two (2.0 net) well appraisal pad, testing both the Upper and Lower benches of the Montney formation. The flow tests surpassed expectations, with the wells achieving average raw production rates of 34 MMcf/d and 25 MMcf/d of dry natural gas, respectively, over the final three days of testing. (1) These results represent the highest publicly recorded test rates for the two Montney benches in Alberta. (2) They also reflect a 42% and 56% increase, respectively, over the original two well 15-20 appraisal pad tested in the first quarter of 2025, which tested at 24 MMcf/d for the Upper Montney and 16 MMcf/d for the Lower Montney. (3) These results contribute to the delineation of lands south-east of the Company's existing development and are supportive of incremental future development.

In the second quarter, development activities continued with ongoing work related to the Sinclair Plant and the drilling of three (3.0 net) Montney wells on a five-well pad. Construction activities at the Sinclair Plant included earthworks, engineering and offsite module fabrication.

Over the second half of 2026, the Company anticipates drilling nine (9.0 net) additional Montney wells and continuing the construction of the Sinclair Plant and related area infrastructure.

Following recent acquisitions, including the purchase of a contiguous, adjacent block in British Columbia at a Crown land sale, Paramount's land position at Sinclair now exceeds 170,000 net acres. This provides the flexibility to increase targeted plateau production in the future.

KAYBOB

Kaybob sales volumes averaged 19,413 Boe/d (40% liquids) in the second quarter of 2026 compared to 19,088 Boe/d (35% liquids) in the first quarter. New well production more than offset natural declines quarter-over-quarter.

Development activities in the second quarter included the bringing onstream of three (3.0 net) Duvernay wells which were drilled and completed over the preceding two quarters.

Over the remainder of 2026, Paramount plans to drill and bring on production two (2.0 net) Montney oil wells.

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(1) The well tests were conducted by production testing over periods of approximately 13 days and 6 days, respectively. Stated production rates were measured at the wellhead for a period of three days once the wells were considered stabilized after the flow-back of completion fluids. The production rates stated: (i) are test rates only over a short period of time and are not necessarily indicative of long-term performance or of ultimate recovery from the wells tested or from any other future wells that may be drilled by the Company at Sinclair and (ii) are raw gas volumes and do not represent potential sales volumes after processing and related shrinkage. The data should be considered preliminary.

(2) Test rates were compared using public data sources in Alberta. Montney wells that were completed after 2017 with lateral lengths exceeding 3,000 meters within the Montney dry gas area were included for comparison. The Montney dry gas area was defined as wells with an actual/forecasted 12-month cumulative condensate gas ratio of less than 10 Bbl/MMcf. Flow test data were compared relative to similar landing zones in the Montney based on Paramount's internal geological characterizations. Readers are cautioned that comparability may be affected by, among other factors, flowback conditions, completions design, well length, operating conditions, equipment and regulatory limitations.

(3) The well tests were conducted by production testing over periods of approximately 15 days and 9 days, respectively. Stated production rates were measured at the wellhead for a period of three days once the wells were considered stabilized after the flow-back of completion fluids. The production rates stated: (i) are test rates only over a short period of time and are not necessarily indicative of long-term performance or of ultimate recovery from the wells tested or from any other future wells that may be drilled by the Company at Sinclair and (ii) are raw gas volumes and do not represent potential sales volumes after processing and related shrinkage. The data should be considered preliminary.

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
Oil			
NYMEX WTI Swaps (Sale)	7,000 Bbl/d	CAD$109.19/Bbl	Jul 2026 – Dec 2026
NYMEX WTI Swaps (Sale)	6,000 Bbl/d	CAD$100.34/Bbl	Jan 2027 – Dec 2027
Natural Gas			
Citygate / Malin Basis Swap (2)	10,000 MMBtu/d	Citygate less US$0.97/MMBtu (Sell) Malin (Buy)	Jul 2026 – Oct 2028
Foreign Currency Exchange			
Average Rate Forward (Sale)	US$10MM/Month	1.3810 CAD$ / US$ (1)	Jul 2026 – Dec 2026
Average Rate Forward (Sale)	US$10MM/Month	1.3680 CAD$ / US$ (1)	Jan 2027 – Dec 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.

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 class A common shares are listed on the Toronto Stock Exchange under the symbol "POU".

Paramount's second quarter 2026 results, including Management's Discussion and Analysis and the Company's Interim Consolidated Financial Statements, can be obtained on SEDAR+ at www.sedarplus.ca or on Paramount's website at www.paramountres.com/investors/financial-shareholder-reports.

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

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FINANCIAL AND OPERATING RESULTS [(1)]

($ millions, except as noted)	Q2 2026		Q1 2026		Q2 2025	
Net income	68.3		53.2		4.2	
per share – basic ($/share)	*0.47*		*0.37*		*0.03*	
per share – diluted ($/share)	*0.46*		*0.36*		*0.03*	
Cash from operating activities	144.4		116.2		39.8	
per share – basic ($/share)	*0.99*		*0.80*		*0.28*	
per share – diluted ($/share)	*0.97*		*0.79*		*0.27*	
Adjusted funds flow	175.6		143.4		81.5	
per share – basic ($/share)	*1.21*		*0.99*		*0.57*	
per share – diluted ($/share)	*1.18*		*0.97*		*0.56*	
Free cash flow	(128.5)		(146.9)		(85.5)	
per share – basic ($/share)	*(0.88)*		*(1.02)*		*(0.60)*	
per share – diluted ($/share)	*(0.86)*		*(0.99)*		*(0.60)*	
Total assets	3,832.1		3,746.7		3,517.9	
Investments in securities	208.0		141.4		575.3	
Long-term debt	–		–		–	
Net (cash) debt	(329.1)		(515.8)		(500.9)	
Common shares outstanding *(millions)* [(2)]	145.8		144.9		143.3	
Sales volumes [(3)]						
Natural gas (MMcf/d)	144.4		144.5		103.3	
Condensate and oil (Bbl/d)	17,803		18,137		11,636	
Other NGLs (Bbl/d)	5,415		6,037		2,786	
Total (Boe/d)	47,279		48,255		31,631	
% liquids	*49%*		*50%*		*46%*	
Willesden Green (Boe/d)	27,466		28,750		9,223	
Kaybob (Boe/d)	19,413		19,088		21,962	
Other (Boe/d)	400		417		446	
Total (Boe/d)	47,279		48,255		31,631	
Netback		*($/Boe)* [(4)]		*($/Boe)* [(4)]		*($/Boe)* [(4)]
Natural gas revenue	32.9	*2.50*	45.7	*3.52*	28.9	*3.07*
Condensate and oil revenue	205.7	*126.96*	157.1	*96.27*	87.7	*82.84*
Other NGLs revenue	19.0	*38.50*	16.6	*30.61*	6.9	*27.02*
Natural gas transportation assignment income [(5)]	2.8	*0.21*	8.6	*0.66*	2.7	*0.29*
Royalty income and other revenue	0.3	–	0.6	–	1.0	–
Petroleum and natural gas sales	260.7	*60.59*	228.6	*52.65*	127.2	*44.20*
Royalties	(14.0)	*(3.25)*	(12.6)	*(2.90)*	(5.7)	*(2.00)*
Operating expense	(37.3)	*(8.66)*	(42.6)	*(9.81)*	(35.7)	*(12.39)*
Transportation and NGLs processing	(20.4)	*(4.75)*	(21.0)	*(4.83)*	(13.2)	*(4.57)*
Sales of commodities purchased [(6)]	70.6	*16.40*	64.4	*14.82*	43.7	*15.18*
Commodities purchased [(6)]	(69.5)	*(16.16)*	(63.9)	*(14.71)*	(43.4)	*(15.07)*
Netback	190.1	*44.17*	152.9	*35.22*	72.9	*25.35*
Risk management contract settlements	(10.7)	*(2.48)*	(2.1)	*(0.46)*	14.9	*5.16*
Netback including risk management contract settlements	179.4	*41.69*	150.8	*34.76*	87.8	*30.51*
Capital expenditures						
Willesden Green	186.8		161.7		106.2	
Sinclair	99.7		59.6		5.0	
Kaybob	3.5		31.8		40.2	
Fox Drilling	4.3		1.5		1.6	
Corporate and other	2.4		2.3		9.0	
Sold Assets [(7)]	–		–		(4.4)	
Total	296.7		256.9		157.6	
Asset retirement obligations settled	1.5		26.5		3.0	

(1) Adjusted funds flow, free cash flow and net (cash) debt are capital management measures used by Paramount. Netback and netback including risk management contract settlements are non-GAAP financial measures. Netback and Netback including risk management contract settlements presented on a $/Boe or $/Mcf basis are non-GAAP ratios. Each measure, other than net income, that is presented on a per share, $/Mcf or $/Boe basis is a supplementary financial measure. Refer to the "Specified Financial Measures" section for more information on these measures.
(2) Common shares are presented net of shares held in trust under the Company's cash bonus and restricted share unit plan (millions): Q2 2026: 0.1, Q1 2026: 0.1, Q2 2025: 0.3.
(3) Refer to the "Product Type Information" section for a complete breakdown of sales volumes for applicable periods by specific product type.
(4) Natural gas revenue and natural gas transportation assignment income presented as $/Mcf.
(5) 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. These amounts were not allocated to individual properties.
(6) Sales of commodities purchased and commodities purchased are treated as corporate items and not allocated to individual properties.
(7) "Sold Assets" refers to the Karr, Wapiti and Zama properties that were sold on January 31, 2025.

PRODUCT TYPE INFORMATION

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

	Total Company by Product Type			Willesden Green			Kaybob		
	Q2 2026	Q1 2026	**Q2 2025**	**Q2 2026**	Q1 2026	**Q2 2025**	**Q2 2026**	Q1 2026	**Q2 2025**
Shale gas (MMcf/d)	**105.9**	107.9	**58.9**	**73.9**	69.9	**19.4**	**32.0**	38.0	**39.5**
Conventional natural gas (MMcf/d)	**38.5**	36.6	**44.4**	**0.2**	0.2	**3.0**	**38.1**	36.2	**41.2**
Natural gas (MMcf/d)	**144.4**	144.5	**103.3**	**74.1**	70.1	**22.4**	**70.1**	74.2	**80.7**
Condensate (Bbl/d)	**16,505**	16,623	**9,688**	**10,723**	12,141	**3,759**	**5,781**	4,481	**5,928**
Other NGLs (Bbl/d)	**5,415**	6,037	**2,786**	**4,227**	4,716	**1,517**	**1,184**	1,316	**1,263**
NGLs (Bbl/d)	**21,920**	22,660	**12,474**	**14,950**	16,857	**5,276**	**6,965**	5,797	**7,191**
Light and medium crude oil (Bbl/d)	**716**	887	**1,263**	**11**	20	**22**	**705**	867	**1,241**
Tight oil (Bbl/d)	**215**	243	**285**	**163**	187	**211**	**52**	56	**74**
Heavy crude oil (Bbl/d)	**367**	384	**400**	**–**	–	**–**	**–**	–	**–**
Crude oil (Bbl/d)	**1,298**	1,514	**1,948**	**174**	207	**233**	**757**	923	**1,315**
Total (Boe/d)	**47,279**	48,255	**31,631**	**27,466**	28,750	**9,223**	**19,413**	19,088	**21,962**

Paramount is forecasting 2026 annual average sales volumes of between 51,000 Boe/d and 53,000 Boe/d (51% shale gas and conventional natural gas combined, 36% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 13% other NGLs):

- Third quarter 2026 average sales volumes are expected to be between 50,000 Boe/d and 53,000 Boe/d (53% shale gas and conventional natural gas combined, 34% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 13% other NGLs).
- Fourth quarter 2026 average sales volumes are expected to be between 60,000 Boe/d and 63,000 Boe/d (51% shale gas and conventional natural gas combined, 36% 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 and 65,000 Boe/d (50% shale gas and conventional natural gas combined, 37% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 13% 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, 27% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 8% other NGLs).

SPECIFIED FINANCIAL MEASURES

Non-GAAP Financial Measures

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

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

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

Refer to the table under the heading "Financial and Operating Results" in this press release for the calculation of netback and netback including risk management contract settlements for the three months ended June 30, 2026, March 31, 2026 and June 30, 2025.

Non-GAAP Ratios

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

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

Capital Management Measures

Adjusted funds flow, free cash flow and net (cash) debt are capital management measures that Paramount utilizes in managing its capital structure. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Refer to Note 15 in the Interim Consolidated Financial Statements of Paramount as at and for the three and six months ended June 30, 2026 for: (i) a description of the composition and use of these measures, (ii) reconciliations of adjusted funds flow and free cash flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three and six months ended June 30, 2026 and 2025 and (iii) a calculation of net (cash) debt as at June 30, 2026 and December 31, 2025.

Supplementary Financial Measures

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

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

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

ADVISORIES

Forward-looking Information

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

- expected average sales volumes for 2026 and certain periods therein;
- expected capital expenditures in 2026;
- expected 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 expectation that the Company will be in a position to make a final investment decision respecting the acceleration of the third phase expansion of the Alhambra Plant as early as the fourth quarter of 2026;
- the expectation that the water recycling facility at the Alhambra Plant will reduce both operating costs and well completion costs in the future;
- the expected timing of the completion of incremental compression and dehydration at the Leafland Plant and of the pipeline interconnection of Alhambra and Leafland; and
- planned and potential exploration, development and production activities, including the drilling, completion and bringing onstream of new wells and the construction of infrastructure.

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 facilities, pipelines and other infrastructure) and the meeting of commitments and financial obligations;
- the ability of Paramount to obtain equipment, materials, services and personnel in a timely manner and at expected and acceptable costs to carry out its activities;
- the ability of Paramount to secure adequate processing, transportation, fractionation, disposal and storage capacity on acceptable terms and the capacity and reliability of facilities, pipelines and other infrastructure;
- the ability of Paramount to obtain the volumes of water required for completion activities;
- the ability of Paramount to market its production successfully;
- the ability of Paramount and its industry partners to obtain drilling success (including in respect of anticipated sales volumes, reserves additions, product yields and product recoveries) and operational improvements, efficiencies and results consistent with expectations;

- the timely receipt of required governmental and regulatory approvals;
- the application of regulatory requirements respecting abandonment and reclamation; and
- anticipated timelines and budgets being met in respect of: (i) drilling programs and other operations, including well completions and tie-ins, (ii) the design, construction, commissioning and start-up of new and expanded third-party and Company facilities, pipelines and other infrastructure; 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;
- uncertainties respecting the course and outcome of the conflict in the Middle East, including its impact on the supply and pricing of commodities and on general economic conditions;
- 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 or existing third-party and Company facilities, pipelines and other infrastructure;
- 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 facilities, pipelines and other infrastructure 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 facilities, pipelines and other infrastructure, 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.

Oil and Gas Measures and Definitions

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

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

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

This press release contains disclosures expressed as "Boe", "$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the six months ended June 30, 2026, the value ratio between crude oil and natural gas was approximately 60:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value.

Additional information respecting the Company's oil and gas properties and operations is provided in the Company's annual information form for the year ended December 31, 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 three and six months ended June 30, 2026

This Management's Discussion and Analysis ("MD&A"), dated August 5, 2026, should be read in conjunction with the unaudited interim condensed consolidated financial statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the three and six months ended June 30, 2026 (the "Interim Financial Statements") and Paramount's audited consolidated financial statements as at and for the year ended December 31, 2025 (the "Annual Financial Statements"). Financial data included in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and is stated in millions of Canadian dollars, unless otherwise noted. All references to "$" are to Canadian dollars and all references to "US$" are to United States dollars. The Company's accounting policies have been applied consistently to all periods presented. Certain comparative figures have been reclassified to conform to the current year's presentation.

ABOUT PARAMOUNT

Paramount is an independent, publicly traded 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 ("Willesden 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.

The Company's assets also include investments in other private and publicly traded entities. On June 30, 2026, Paramount closed the sale of its wholly-owned Fox Drilling Limited Partnership ("Fox Drilling") to AKITA Drilling Ltd. ("AKITA"). Fox Drilling's assets included six triple-sized drilling rigs. Refer to the "Operating Results – Other Items" section of this MD&A for further details.

Paramount closed the sale of its Karr, Wapiti and Zama properties (the "Sold Assets") on January 31, 2025 (the "Grande Prairie Disposition") for cash proceeds of $3.243 billion, after adjustments, plus certain Horn River Basin properties of the acquiror. Prior to their sale, the Karr and Wapiti properties were the major focus of the Company's development activities and operations. Paramount's results for the six months ended June 30, 2025 include the results of operations of the Sold Assets from January 1, 2025 to the closing date of the Grande Prairie Disposition on January 31, 2025 and actual to estimate differences for operations of the Sold Assets for periods prior to their sale on January 31, 2025. Second quarter 2026 results include a $6.0 million reduction to royalties expense following finalization of gas cost allowance amounts relating to the Sold Assets for periods prior to their sale on January 31, 2025.

When used in this MD&A, "Ongoing Operations" represents Paramount's total results, excluding amounts attributable to the Sold Assets.

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 [1]

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
FINANCIAL				
Petroleum and natural gas sales	**260.7**	127.2	**489.3**	393.8
Net income	**68.3**	4.2	**121.5**	1,292.9
Per share – basic ($/share)	***0.47***	*0.03*	***0.84***	*8.98*
Per share – diluted ($/share)	***0.46***	*0.03*	***0.82***	*8.82*
Cash from operating activities	**144.4**	39.8	**260.6**	189.7
Per share – basic ($/share) [2]	***0.99***	*0.28*	***1.80***	*1.32*
Per share – diluted ($/share) [2]	***0.97***	*0.27*	***1.76***	*1.29*
Adjusted funds flow [2]	**175.6**	81.5	**319.0**	230.4
Per share – basic ($/share)	***1.21***	*0.57*	***2.20***	*1.60*
Per share – diluted ($/share)	***1.18***	*0.56*	***2.15***	*1.57*
Free cash flow [2]	**(128.5)**	(85.5)	**(275.3)**	(176.3)
Per share – basic ($/share)	***(0.88)***	*(0.60)*	***(1.90)***	*(1.22)*
Per share – diluted ($/share)	***(0.86)***	*(0.60)*	***(1.86)***	*(1.22)*
Total assets			**3,832.1**	3,517.9
Investments in securities			**208.0**	575.3
Long-term debt			**–**	–
Net (cash) debt [2]			**(329.1)**	(500.9)
Total liabilities			**1,074.1**	839.4
Common shares outstanding (millions) [3]			**145.8**	143.3
Cash dividends & distributions declared & paid ($/share) [4]	**0.15**	0.15	**0.30**	15.40
OPERATING				
Sales volumes				
Natural gas (MMcf/d)	**144.4**	103.3	**144.4**	141.2
Condensate and oil (Bbl/d)	**17,803**	11,636	**17,969**	16,064
Other NGLs (Bbl/d)	**5,415**	2,786	**5,724**	3,357
Total (Boe/d)	**47,279**	31,631	**47,765**	42,957
% Liquids	***49%***	*46%*	***50%***	*45%*
Realized prices [2]				
Natural gas ($/Mcf)	**2.50**	3.07	**3.01**	3.19
Condensate and oil ($/Bbl)	**126.96**	82.84	**111.56**	92.29
Other NGLs ($/Bbl)	**38.50**	27.02	**34.36**	34.86
Petroleum and natural gas sales ($/Boe)	**60.59**	44.20	**56.60**	50.64
Capital expenditures	**296.7**	157.6	**553.5**	373.3

(1) Includes 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. For results of the Sold Assets, refer to the "Operating Results – Netback" section of this MD&A.
(2) 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.
(3) Common Shares are presented net of shares held in trust under the Company's cash bonus and restricted share unit ("CBRSU") plan: 2026: 0.1 million and 2025: 0.3 million.
(4) Cash dividends & distributions declared & paid represents dividends and distributions paid in cash and exclude the dividend in kind of the AKITA Shares declared on June 30, 2026 and paid on July 16, 2026.

Q2 2026 OVERVIEW

Total Company sales volumes averaged 47,279 Boe/d (49% liquids) in the second quarter of 2026 compared to 48,255 Boe/d (50% liquids) in the first quarter. Following a one-week planned outage, the Company successfully started up the second phase of its Alhambra Plant at Willesden Green in early June, doubling the designed raw handling capacity of the facility to 20,000 Bbl/d of liquids and 100 MMcf/d of natural gas. A total of ten (10.0 net) Duvernay wells were brought on production through the Alhambra Plant on a staggered basis following the expansion in June, with a total of 26 wells now flowing through the facility and filling its raw natural gas inlet capacity. Runtime at the Alhambra Plant continued to be outstanding in the second quarter.

With the stronger than forecast Willesden Green performance, sales volumes in the first half of 2026 averaged 47,765 Boe/d (50% liquids), exceeding the upper end of previous guidance of 46,000 Boe/d (48% liquids).

Net income was $68.3 million ($0.47 per basic share) in the second quarter of 2026 compared to $53.2 million ($0.37 per basic share) in the first quarter.

Second quarter 2026 cash from operating activities was $144.4 million ($0.99 per basic share) compared to $116.2 million ($0.80 per basic share) in the first quarter. Adjusted funds flow was $175.6 million ($1.21 per basic share) in the second quarter of 2026 compared to $143.4 million ($0.99 per basic share) in the first quarter. Free cash flow was ($128.5) million (($0.88) per basic share) in the second quarter of 2026 compared to ($146.9) million (($1.02) per basic share) in the first quarter. [(1)]

Capital expenditures totaled $296.7 million in the second quarter of 2026 compared to $256.9 million in the first quarter. Second quarter 2026 activities included:

- Willesden Green Duvernay – commissioning and start-up of the second phase of the Alhambra Plant, commissioning of the water recycling facility at the Alhambra Plant, the ongoing construction of the pipeline interconnecting the Alhambra and Leafland Plants and of incremental compression and dehydration capacity at the Leafland Plant, the drilling of 11 (11.0 net) Duvernay wells and the bringing on production of ten (10.0 net) Duvernay wells;
- Sinclair Montney – ongoing work related to advancing construction of the Sinclair Plant, including earthworks at the plant site, engineering and offsite module fabrication, the drilling of three (3.0 net) Montney wells and the completion and flow testing of the Company's second set of two appraisal wells; and
- Kaybob North Duvernay – the bringing on production of three (3.0 net) Duvernay wells.

Operating expenses were $8.66/Boe in the quarter, with Willesden Green operating expenses averaging $5.03/Boe.

On June 30, 2026, Paramount closed the sale of its wholly-owned Fox Drilling subsidiary (the "Fox Drilling Sale") to AKITA. Paramount received aggregate consideration for the Fox Drilling Sale of $68.7 million, which was comprised of approximately 19.3 million common shares of AKITA (the "AKITA Shares") and $3.0 million cash. On July 16, 2026, Paramount distributed all of the AKITA Shares to its shareholders as a dividend in kind.

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

The Company paid $21.8 million in regular monthly dividends totaling $0.15 per Common Share in the second quarter of 2026.

Cash and cash equivalents was $449.0 million at June 30, 2026 compared to $671.5 million at March 31, 2026. At June 30, 2026, Paramount had undrawn credit facilities totaling $750 million.

UPDATED 2026 PRODUCTION GUIDANCE

Paramount is increasing its 2026 sales volumes guidance as a result of continued well outperformance (particularly natural gas), a faster than expected ramp-up of the second phase of the Alhambra Plant and an increase in forecast runtime at Willesden Green driven by continuing strong performance. Annual sales volumes are now expected to range between 51,000 Boe/d and 53,000 Boe/d (49% liquids), representing a 2,000 Boe/d increase at the mid-point.

Forecast capital expenditures and abandonment and reclamation expenditures for the year remain unchanged at between $1,000 million and $1,100 million and at $35 million, respectively.

2026	Prior Guidance	Revised Guidance
Third quarter average sales volumes (Boe/d)	46,500 to 51,500 (51% liquids)	50,000 to 53,000 (47% liquids)
Fourth quarter average sales volumes (Boe/d)	59,000 to 64,000 (53% liquids)	60,000 to 63,000 (49% liquids)
Annual average sales volumes (Boe/d)	48,000 to 52,000 (50% liquids)	51,000 to 53,000 (49% liquids)
Capital expenditures	$1,000 to $1,100 million	No change

2027 OUTLOOK

Paramount continues to expect 2027 annual sales volumes of between 60,000 and 65,000 Boe/d (50% liquids) and a 2027 exit rate of production of over 100,000 Boe/d (35% liquids), approximately double forecast average sales volumes for 2026.

The Company is currently maintaining its outlook for midpoint 2027 annual capital expenditures of $1,000 million.

With the second phase expansion of the Alhambra plant now onstream and strong Willesden Green performance, Paramount is continuing its evaluation and planning of the third phase expansion of the Alhambra Plant, including the possibility of accelerating start-up to the second half of 2028. The Company expects to be in a position to make a final investment decision as early as the fourth quarter of 2026. This will also be weighed against the ongoing assessment of the Black Oil window on the eastern-most part of the Company's Willesden Green lands.

CONSOLIDATED RESULTS

Net Income

Paramount recorded net income of $68.3 million for the three months ended June 30, 2026 compared to net income of $4.2 million in the same period in 2025. Significant factors contributing to the change are shown below:

Three months ended June 30	
Net income – 2025	**4.2**
• Higher netback in 2026 mainly due to higher liquids prices and higher Willesden Green sales volumes	117.2
• Lower exploration and evaluation expense in 2026	4.5
• Lower gain on risk management contracts in 2026	(33.2)
• Higher depletion and depreciation expense in 2026	(16.1)
• Higher deferred income tax expense in 2026	(15.6)
• Other	7.3
Net income – 2026	**68.3**

Paramount recorded net income of $121.5 million for the six months ended June 30, 2026 compared to net income of $1,292.9 million in the same period in 2025. Significant factors contributing to the change are shown below:

Six months ended June 30	
Net income – 2025	**1,292.9**
• Lower gain on sale of oil and gas assets in 2026	(1,587.3)
• Higher depletion and depreciation expense in 2026	(47.9)
• Loss on risk management contracts in 2026 compared to a gain in 2025	(46.3)
• Lower deferred income tax expense in 2026	351.0
• Higher netback in 2026 mainly due to higher liquids prices and higher Willesden Green sales volumes	115.7
• Transaction and reorganization costs in 2025	24.3
• Lower share-based compensation expense in 2026	9.6
• Other	9.5
Net income – 2026	**121.5**

Cash From Operating Activities

Cash from operating activities for the three months ended June 30, 2026 was $144.4 million compared to $39.8 million in the same period in 2025. Significant factors contributing to the change are shown below:

Three months ended June 30	
Cash from operating activities – 2025	**39.8**
• Higher netback in 2026 mainly due to higher liquids prices and higher Willesden Green sales volumes	117.2
• Change in non-cash working capital	7.8
• Payments on risk management contract settlements in 2026 compared to receipts in 2025	(25.6)
• Other	5.2
Cash from operating activities – 2026	**144.4**

Cash from operating activities for the six months ended June 30, 2026 was $260.6 million compared to $189.7 million for the same period in 2025. Significant factors contributing to the change are shown below:

Six months ended June 30	
Cash from operating activities – 2025	**189.7**
• Higher netback in 2026 mainly due to higher liquids prices and higher Willesden Green sales volumes	115.7
• Transaction and reorganization costs in 2025	24.3
• Change in non-cash working capital	(34.6)
• Payments on risk management contract settlements in 2026 compared to receipts in 2025	(29.1)
• Provisions settled in 2026	(9.1)
• Other	3.7
Cash from operating activities – 2026	**260.6**

Adjusted Funds Flow

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

	Three months ended June 30		Six months ended June 30	
	2026	**2025**	**2026**	**2025**
Cash from operating activities	**144.4**	39.8	**260.6**	189.7
Change in non-cash working capital (1)	**23.8**	31.6	**17.6**	(17.0)
Geological and geophysical expense (2)	**2.2**	6.4	**3.6**	8.2
Asset retirement obligations settled (1)	**1.5**	3.0	**28.1**	25.2
Provisions settled (1)	**3.7**	–	**9.1**	–
Transaction and reorganization costs (3)	**–**	0.7	**–**	24.3
Adjusted funds flow (4)	**175.6**	81.5	**319.0**	230.4
Adjusted funds flow ($/Boe) (5)	**40.82**	28.30	**36.90**	29.64

(1) Refer to the interim condensed consolidated statements of cash flows in the Interim Financial Statements.
(2) Refer to Note 2 of the Interim Financial Statements.
(3) Refer to the interim condensed consolidated statements of comprehensive income in the Interim Financial Statements.
(4) Adjusted funds flow is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.
(5) Adjusted funds flow ($/Boe) is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.

Adjusted funds flow for the three months ended June 30, 2026 was $175.6 million compared to $81.5 million in the same period in 2025. Significant factors contributing to the change are shown below:

Three months ended June 30	
Adjusted funds flow – 2025	**81.5**
• Higher netback in 2026 mainly due to higher liquids prices and higher Willesden Green sales volumes	117.2
• Payments on risk management contract settlements in 2026 compared to receipts in 2025	(25.6)
• Other	2.5
Adjusted funds flow – 2026	**175.6**

Adjusted funds flow for the six months ended June 30, 2026 was $319.0 million compared to $230.4 million in the same period in 2025. Significant factors contributing to the change are shown below:

Six months ended June 30	
Adjusted funds flow – 2025	**230.4**
• Higher netback in 2026 mainly due to higher liquids prices and higher Willesden Green sales volumes	115.7
• Payments on risk management contract settlements in 2026 compared to receipts in 2025	(29.1)
• Other	2.0
Adjusted funds flow – 2026	**319.0**

Free Cash Flow

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

	Three months ended June 30		Six months ended June 30	
	2026	**2025**	**2026**	**2025**
Cash from operating activities	**144.4**	39.8	**260.6**	189.7
Change in non-cash working capital (1)	**23.8**	31.6	**17.6**	(17.0)
Geological and geophysical expense (2)	**2.2**	6.4	**3.6**	8.2
Asset retirement obligations settled (1)	**1.5**	3.0	**28.1**	25.2
Provisions settled (1)	**3.7**	–	**9.1**	–
Transaction and reorganization costs (3)	**–**	0.7	**–**	24.3
Adjusted funds flow	**175.6**	81.5	**319.0**	230.4
Capital expenditures (1)	**(296.7)**	(157.6)	**(553.5)**	(373.3)
Geological and geophysical expense (2)	**(2.2)**	(6.4)	**(3.6)**	(8.2)
Asset retirement obligations settled (1)	**(1.5)**	(3.0)	**(28.1)**	(25.2)
Provisions settled (1)	**(3.7)**	–	**(9.1)**	–
Free cash flow (4)	**(128.5)**	(85.5)	**(275.3)**	(176.3)

(1) Refer to the interim condensed consolidated statements of cash flows in the Interim Financial Statements.
(2) Refer to Note 2 of the Interim Financial Statements.
(3) Refer to the interim condensed consolidated statements of comprehensive income in the Interim Financial Statements.
(4) Free cash flow is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.

Free cash flow for the three months ended June 30, 2026 was ($128.5) million compared to ($85.5) million in the same period in 2025. Significant factors contributing to the change are shown below:

Three months ended June 30	
Free cash flow – 2025	**(85.5)**
• Higher capital expenditures in 2026	(139.1)
• Provisions settled in 2026	(3.7)
• Higher adjusted funds flow in 2026 (described in "Adjusted Funds Flow" section above)	94.1
• Lower geological and geophysical expense in 2026	4.2
• Lower asset retirement obligations settled in 2026	1.5
Free cash flow – 2026	**(128.5)**

Free cash flow for the six months ended June 30, 2026 was ($275.3) million compared to ($176.3) million in the same period in 2025. Significant factors contributing to the change are shown below:

Six months ended June 30	
Free cash flow – 2025	**(176.3)**
• Higher capital expenditures in 2026	(180.2)
• Provisions settled in 2026	(9.1)
• Higher asset retirement obligations settled in 2026	(2.9)
• Higher adjusted funds flow in 2026 (described in "Adjusted Funds Flow" section above)	88.6
• Lower geological and geophysical expense in 2026	4.6
Free cash flow – 2026	**(275.3)**

OPERATING RESULTS

Netback

	Three months ended June 30				Six months ended June 30			
	2026		2025		2026		2025	
		($/Boe)[(1)(2)]		($/Boe)[(1)(2)]		($/Boe)[(1)(2)]		($/Boe)[(1)(2)]
Natural gas revenue [(3)]	**32.9**	***2.50***	28.9	*3.07*	**78.6**	***3.01***	81.4	*3.19*
Condensate and oil revenue [(3)]	**205.7**	***126.96***	87.7	*82.84*	**362.8**	***111.56***	268.3	*92.29*
Other NGLs revenue [(3)]	**19.0**	***38.50***	6.9	*27.02*	**35.6**	***34.36***	21.2	*34.86*
Natural gas transportation assignment income [(3)]	**2.8**	***0.21***	2.7	*0.29*	**11.4**	***0.44***	10.1	*0.40*
Royalty income and other revenue [(3)]	**0.3**	**–**	1.0	–	**0.9**	**–**	12.8	–
Petroleum and natural gas sales [(4)]	**260.7**	***60.59***	127.2	*44.20*	**489.3**	***56.60***	393.8	*50.64*
Royalties [(4)]	**(14.0)**	***(3.25)***	(5.7)	*(2.00)*	**(26.6)**	***(3.08)***	(32.4)	*(4.17)*
Operating expense [(4)]	**(37.3)**	***(8.66)***	(35.7)	*(12.39)*	**(79.9)**	***(9.24)***	(103.5)	*(13.31)*
Transportation and NGLs processing [(4)]	**(20.4)**	***(4.75)***	(13.2)	*(4.57)*	**(41.4)**	***(4.79)***	(33.6)	*(4.32)*
Sales of commodities purchased [(4)]	**70.6**	***16.40***	43.7	*15.18*	**134.9**	***15.61***	153.4	*19.72*
Commodities purchased [(4)]	**(69.5)**	***(16.16)***	(43.4)	*(15.07)*	**(133.4)**	***(15.43)***	(150.5)	*(19.36)*
Netback [(5)]	**190.1**	***44.17***	72.9	*25.35*	**342.9**	***39.67***	227.2	*29.20*
Risk management contract settlements [(6)]	**(10.7)**	***(2.48)***	14.9	*5.16*	**(12.7)**	***(1.47)***	16.4	*2.11*
Netback including risk management contract settlements [(7)]	**179.4**	***41.69***	87.8	*30.51*	**330.2**	***38.20***	243.6	*31.31*

(1) Natural gas revenue and natural gas transportation assignment income shown per Mcf.
(2) When presented on a $/Boe or $/Mcf basis, each of the components of Netback is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.
(3) Refer to Note 12 of the Interim Financial Statements.
(4) Refer to the interim condensed consolidated statements of comprehensive income in the Interim Financial Statements.
(5) Netback is a non-GAAP financial measure. Netback presented on a $/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.
(6) Refer to Note 11 of the Interim Financial Statements.
(7) Netback including risk management contract settlements is a non-GAAP financial measure. Netback including risk management contract settlements presented on a $/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

The following tables provides selected operating results of the Company for the three and six months ended June 30, 2026 and 2025, separated between Ongoing Operations and Sold Assets. Second quarter 2026 results include a $6.0 million reduction to royalties following finalization of gas cost allowance amounts relating to the Sold Assets for periods prior to their sale on January 31, 2025.

	Three months ended June 30											
	2026						2025					
	Ongoing Operations		Sold Assets [(1)]		Total Company		Ongoing Operations		Sold Assets [(1)]		Total Company	
Sales Volumes (Boe/d) [(2)]	47,279		–		47,279		31,631		–		31,631	
% Liquids	*49%*		–		*49%*		*46%*		–		*46%*	
		$/Boe		$/Boe		$/Boe		$/Boe		$/Boe		$/Boe
Petroleum and natural gas sales [(3)]	260.7	*60.59*	–	–	260.7	*60.59*	127.5	*44.30*	(0.3)	–	127.2	*44.20*
Royalties [(3)]	(20.0)	*(4.65)*	6.0	–	(14.0)	*(3.25)*	(7.9)	*(2.75)*	2.2	–	(5.7)	*(2.00)*
Operating expense [(3)]	(37.3)	*(8.66)*	–	–	(37.3)	*(8.66)*	(33.9)	*(11.79)*	(1.8)	–	(35.7)	*(12.39)*
Transportation and NGLs processing [(3)]	(20.4)	*(4.75)*	–	–	(20.4)	*(4.75)*	(13.3)	*(4.61)*	0.1	–	(13.2)	*(4.57)*
Sales of commodities purchased [(3)]	70.6	*16.40*	–	–	70.6	*16.40*	43.7	*15.18*	–	–	43.7	*15.18*
Commodities purchased [(3)]	(69.5)	*(16.16)*	–	–	(69.5)	*(16.16)*	(43.4)	*(15.07)*	–	–	(43.4)	*(15.07)*
Netback [(4)]	184.1	*42.77*	6.0	–	190.1	*44.17*	72.7	*25.26*	0.2	–	72.9	*25.35*
Capital expenditures	296.7		–		296.7		162.0		(4.4)		157.6	

(1) Amounts relate to actual to estimate differences relating to the Sold Assets for the periods prior to their sale on January 31, 2025.
(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 interim condensed consolidated statements of comprehensive income in the Interim 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.

	Six months ended June 30											
	2026						2025					
	Ongoing Operations		Sold Assets [(1)]		Total Company		Ongoing Operations		Sold Assets [(2)]		Total Company	
Sales Volumes (Boe/d) [(3)]	47,765		–		47,765		30,673		12,284		42,957	
% Liquids	*50%*		–		*50%*		*44%*		*48%*		*45%*	
		$/Boe		$/Boe		$/Boe		$/Boe		$/Boe		$/Boe
Petroleum and natural gas sales [(4)]	489.3	*56.60*	–	–	489.3	*56.60*	275.2	*49.56*	118.6	*53.34*	393.8	*50.64*
Royalties [(4)]	(32.6)	*(3.77)*	6.0	–	(26.6)	*(3.08)*	(17.4)	*(3.14)*	(15.0)	*(6.75)*	(32.4)	*(4.17)*
Operating expense [(4)]	(79.9)	*(9.24)*	–	–	(79.9)	*(9.24)*	(71.0)	*(12.78)*	(32.5)	*(14.63)*	(103.5)	*(13.31)*
Transportation and NGLs processing [(4)]	(41.4)	*(4.79)*	–	–	(41.4)	*(4.79)*	(26.0)	*(4.68)*	(7.6)	*(3.42)*	(33.6)	*(4.32)*
Sales of commodities purchased [(4)]	134.9	*15.61*	–	–	134.9	*15.61*	153.4	*27.62*	–	–	153.4	*19.72*
Commodities purchased [(4)]	(133.4)	*(15.43)*	–	–	(133.4)	*(15.43)*	(150.5)	*(27.11)*	–	–	(150.5)	*(19.36)*
Netback [(5)]	336.9	*38.98*	6.0	–	342.9	*39.67*	163.7	*29.47*	63.5	*28.54*	227.2	*29.20*
Capital expenditures	553.5		–		553.5		357.3		16.0		373.3	

(1) Amounts relate to actual to estimate differences relating to the Sold Assets for the periods prior to their sale on January 31, 2025.
(2) Results of operations from January 1, 2025 to January 30, 2025 and actual to estimate differences for operations of the Sold Assets for periods prior to their sale on January 31, 2025. Boe/d sales volumes calculated by dividing aggregate sales volumes from January 1, 2025 to January 30, 2025 by 181 days.
(3) 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.
(4) Refer to the interim condensed consolidated statements of comprehensive income in the Interim Financial Statements.
(5) 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.

Petroleum and natural gas sales were $260.7 million for the three months ended June 30, 2026 compared to $127.2 million for the same period in 2025. The increase in 2026 was mainly due to the effects of a 37 percent period over period increase in the average realized petroleum and natural gas sales price per Boe and a 49 percent increase in total Company sales volumes, driven by higher sales volumes at Willesden Green.

Three months ended June 30	**2026**	**2025**	**Change**
Ongoing Operations	**260.7**	127.5	*133.2*
Sold Assets	**–**	(0.3)	*0.3*
Petroleum and natural gas sales – Total Company	**260.7**	127.2	*133.5*

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 June 30, 2025	28.9	87.7	6.9	3.7	127.2
Effect of changes in sales volumes	11.5	46.5	6.5	–	64.5
Effect of changes in prices	(7.5)	71.5	5.6	–	69.6
Change in natural gas transportation assignment and royalty income and other revenue	–	–	–	(0.6)	(0.6)
Three months ended June 30, 2026	**32.9**	**205.7**	**19.0**	**3.1**	**260.7**

Petroleum and natural gas sales were $489.3 million for the six months ended June 30, 2026 compared to $393.8 million for the same period in 2025. The increase in 2026 was mainly due to the effects of a 12 percent period over period increase in the average realized petroleum and natural gas sales price per Boe and an 11 percent increase in total Company sales volumes. The impact of higher sales volumes at Willesden Green was partially offset by the impact of the Grande Prairie Disposition. Petroleum and natural gas sales attributable to Ongoing Operations and the Sold Assets were as follows:

Six months ended June 30	**2026**	**2025**	**Change**
Ongoing Operations	**489.3**	275.2	*214.1*
Sold Assets	**–**	118.6	*(118.6)*
Petroleum and natural gas sales – Total Company	**489.3**	393.8	*95.5*

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**
Six months ended June 30, 2025	81.4	268.3	21.2	22.9	393.8
Effect of changes in sales volumes	1.9	31.8	14.9	–	48.6
Effect of changes in prices	(4.7)	62.7	(0.5)	–	57.5
Change in natural gas transportation assignment and royalty income and other revenue	–	–	–	(10.6)	(10.6)
Six months ended June 30, 2026	**78.6**	**362.8**	**35.6**	**12.3**	**489.3**

Natural gas transportation assignment income of $2.8 million and $11.4 million for the three and six months ended June 30, 2026, respectively (three and six months ended June 30, 2025 – $2.7 million and $10.1 million, respectively), relates to proceeds realized by the Company on the assignment of a portion of its ex-Alberta natural gas transportation capacity to third parties. The assignee was responsible for the cost of the transportation assigned.

Royalty income and other revenue for the six months ended June 30, 2025 includes $11.1 million related to a second interim payment from insurers for 2023 Alberta wildfire business interruption losses.

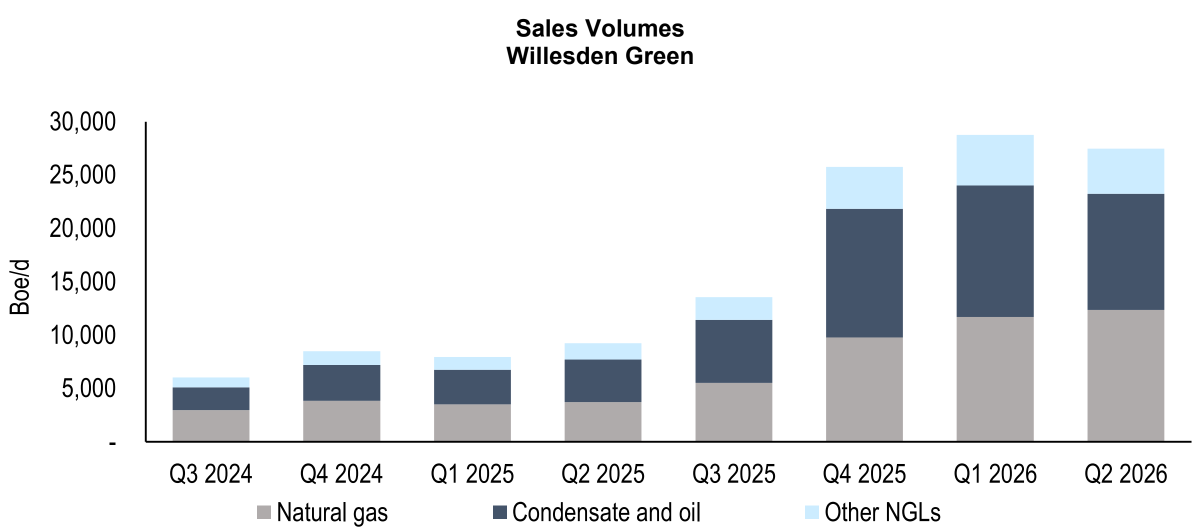
Sales Volumes

	Three months ended June 30											
	Natural gas (MMcf/d) [1]			Condensate and oil (Bbl/d) [1]			Other NGLs (Bbl/d) [1]			Total (Boe/d) [1]		
	2026	2025	*Chg*	2026	2025	*Chg*	2026	2025	*Chg*	2026	2025	*Chg*
Willesden Green	74.1	22.4	*231%*	10,897	3,992	*173%*	4,227	1,517	*179%*	27,466	9,223	*198%*
Kaybob	70.1	80.7	*(13%)*	6,538	7,243	*(10%)*	1,184	1,263	*(6%)*	19,413	21,962	*(12%)*
Other	0.2	0.2	–	368	401	*(8%)*	4	6	*(33%)*	400	446	*(10%)*
Ongoing Operations	144.4	103.3	*40%*	17,803	11,636	*53%*	5,415	2,786	*94%*	47,279	31,631	*49%*
Sold Assets	–	–	–	–	–	–	–	–	–	–	–	–
Total	144.4	103.3	*40%*	17,803	11,636	*53%*	5,415	2,786	*94%*	47,279	31,631	*49%*

(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 and Ongoing Operations sales volumes averaged 47,279 Boe/d (49% liquids) in the second quarter of 2026 compared to 31,631 Boe/d (46% liquids) in the same period in 2025. The increase in sales volumes in 2026 was due to higher sales volumes at Willesden Green, the impact of which was partially offset by lower Kaybob sales volumes.

Sales volumes at Willesden Green averaged 27,466 Boe/d (55% liquids) in the second quarter of 2026 compared to 9,223 Boe/d (60% liquids) in the same period in 2025. Construction of the first phase of the Company's wholly-owned and operated Alhambra Plant at Willesden Green was completed early in the third quarter of 2025, with first sales volumes achieved in late-July 2025. Construction of the second phase of the Alhambra Plant was completed in the second quarter of 2026, with first sales volumes achieved in early-June 2026. At the end of the second quarter of 2026, a total of 26 Duvernay wells were flowing through the Alhambra Plant and filling its raw natural gas inlet capacity.



Kaybob sales volumes averaged 19,413 Boe/d (40% liquids) in the second quarter of 2026 compared to 21,962 Boe/d (39% liquids) in the same period in 2025. Incremental production from new Duvernay wells at Kaybob North mostly offset the impact of production declines.

	Six months ended June 30											
	Natural gas (MMcf/d) (1)			Condensate and oil (Bbl/d) (1)			Other NGLs (Bbl/d) (1)			Total (Boe/d) (1)		
	2026	**2025**	***Chg***	**2026**	**2025**	***Chg***	**2026**	**2025**	***Chg***	**2026**	**2025**	***Chg***
Willesden Green	**72.1**	21.7	*232%*	**11,618**	3,625	*220%*	**4,470**	1,349	*231%*	**28,104**	8,580	*228%*
Kaybob	**72.1**	81.1	*(11%)*	**5,974**	6,873	*(13%)*	**1,249**	1,278	*(2%)*	**19,251**	21,668	*(11%)*
Other	**0.2**	0.2	–	**377**	380	*(1%)*	**5**	6	*(17%)*	**410**	425	*(4%)*
Ongoing Operations	**144.4**	103.0	*40%*	**17,969**	10,878	*65%*	**5,724**	2,633	*117%*	**47,765**	30,673	*56%*
Sold Assets	**–**	38.2	*(100%)*	**–**	5,186	*(100%)*	**–**	724	*(100%)*	**–**	12,284	*(100%)*
Total	**144.4**	141.2	*2%*	**17,969**	16,064	*12%*	**5,724**	3,357	*71%*	**47,765**	42,957	*11%*

(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 were 47,765 Boe/d (50% liquids) in the six months ended June 30, 2026 compared to 42,957 Boe/d (45% liquids) in the same period in 2025. The increase in total Company sales volumes in 2026 was due to higher sales volumes at Willesden Green, the impact of which was partially offset by the Grande Prairie Disposition in 2025 and lower Kaybob sales volumes.

Sales volumes from Ongoing Operations averaged 47,765 Boe/d (50% liquids) in the six months ended June 30, 2026 compared to 30,673 Boe/d (44% liquids) in the same period in 2025. The increase in Ongoing Operations sales volumes in 2026 was due to higher Willesden Green sales volumes.

Sales volumes at Willesden Green were 28,104 Boe/d (57% liquids) in the six months ended June 30, 2026 compared to 8,580 Boe/d (58% liquids) in the same period in 2025. The increase in 2026 was primarily due to new Duvernay wells brought onstream following the start-up of the Alhambra Plant in the third quarter of 2025. The Company brought onstream ten Duvernay wells in the first half of 2026 and a total of 14 Duvernay wells in the second half of 2025.

Kaybob sales volumes averaged 19,251 Boe/d (38% liquids) in the six months ended June 30, 2026 compared to 21,668 Boe/d (38% liquids) in the same period in 2025. Incremental production from new Duvernay wells at Kaybob North mostly offset the impact of production declines.

Commodity Prices

	Three months ended June 30			Six months ended June 30		
	2026	2025	% Chg	2026	2025	% Chg
Natural Gas (1)						
Paramount realized natural gas price ($/Mcf)	**2.50**	3.07	*(19)*	**3.01**	3.19	*(6)*
AECO daily spot ($/GJ)	**1.55**	1.60	*(3)*	**1.72**	1.83	*(6)*
AECO monthly index ($/GJ)	**1.43**	1.96	*(27)*	**1.89**	1.94	*(3)*
Dawn ($/MMBtu)	**3.56**	4.03	*(12)*	**5.13**	4.78	*7*
NYMEX (US$/MMBtu)	**2.94**	3.51	*(16)*	**3.21**	3.69	*(13)*
Malin daily index (US$/MMBtu)	**1.20**	2.17	*(45)*	**1.49**	2.71	*(45)*
Emerson 2 daily index (US$/MMBtu)	**1.50**	1.66	*(10)*	**2.11**	2.29	*(8)*
Condensate and Oil (1)						
Paramount realized condensate & oil price ($/Bbl)	**126.96**	82.84	*53*	**111.56**	92.29	*21*
Edmonton light sweet crude oil ($/Bbl)	**131.28**	86.11	*52*	**112.82**	90.55	*25*
Edmonton condensate ($/Bbl)	**128.47**	88.30	*45*	**113.01**	93.61	*21*
West Texas Intermediate crude oil (US$/Bbl)	**92.99**	63.74	*46*	**82.46**	67.58	*22*
Other NGLs (1)						
Paramount realized Other NGLs price ($/Bbl)	**38.50**	27.02	*42*	**34.36**	34.86	*(1)*
Conway – propane ($/Bbl)	**42.09**	40.74	*3*	**39.26**	46.66	*(16)*
Belvieu – butane ($/Bbl)	**62.26**	50.67	*23*	**56.43**	54.47	*4*
Foreign Exchange						
$ / 1 $US	**1.38**	1.38	–	**1.38**	1.41	*(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 on these measures.

Paramount's natural gas sales portfolio primarily consists of sales priced at Alberta, the California/Oregon border and Eastern Canada markets, in a combination of daily, monthly and fixed-basis physical contracts. In the first half of 2026, Paramount's natural gas sales portfolio 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 20,000 GJ/d of natural gas at Emerson. The Company's natural gas sales portfolio in the first half of 2025 included arrangements to sell approximately 40,000 GJ/d of natural gas at Dawn, approximately 22,000 GJ/d of natural gas at Malin and approximately 20,000 GJ/d of natural gas at Emerson.

With approximately 58 percent of Paramount's natural gas sales volumes priced at diversified markets outside of AECO in the first half of 2026, Paramount's average realized natural gas price was $3.01/Mcf in the first half of 2026. For the remainder of 2026, approximately 48 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 contracts as at June 30, 2026:

	Volume	Location	Average price	Remaining Term
Natural gas basis swap (1)	38,654 GJ/d	AECO / Dawn	$1.59/GJ	July 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)

	Six months ended June 30, 2026
Fair value, beginning of period	(9.4)
Changes in fair value	5.4
Settlements paid (received)	12.9
Fair value, end of period	**8.9**

(1) Includes the derivative portion relating to a physical sales contract to deliver 1,000 Bbl/d of propane until January 31, 2029 at a delivery point in Alberta.

Paramount had the following financial commodity contracts at June 30, 2026:

Instruments	Aggregate notional	Average price	Remaining term
Oil			
NYMEX WTI Swaps (Sale) (1)	7,000 Bbl/d	CAD$109.19/Bbl	July 2026 – December 2026
NYMEX WTI Swaps (Sale) (1)	2,000 Bbl/d	CAD$100.00/Bbl	January 2027 – December 2027
Natural Gas			
Citygate / Malin Basis Swap (2)	10,000 MMBtu/d	Citygate less US$0.97/MMBtu (Sell) Malin (Buy)	July 2026 – October 2028

(1) "NYMEX" means New York Mercantile Exchange and "WTI" means West Texas Intermediate.
(2) "Citygate" refers to Pacific Gas & Electric Citygate and "Malin" refers to Pacific Gas & Electric Malin. Pursuant to the swap transaction Paramount sells at Citygate less US $0.97/MMBtu and buys at Malin. The transaction is financially settled with no physical delivery.

For additional information concerning the Company's financial commodity contracts, refer to Note 11 of the Interim Financial Statements.

Subsequent to June 30, 2026, the Company entered into the following financial commodity contracts:

Instruments	Aggregate notional	Average price	Term
NYMEX WTI Swaps (Sale) (1)	4,000 Bbl/d	CAD$100.51/Bbl	January 2027 – December 2027

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

Foreign Currency Exchange Contracts

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

	Six months ended June 30, 2026
Fair value, beginning of period	4.0
Changes in fair value	(9.0)
Settlements paid (received)	(0.2)
Fair value, end of period	**(5.2)**

The Company had the following foreign currency exchange contracts as at June 30, 2026:

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

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

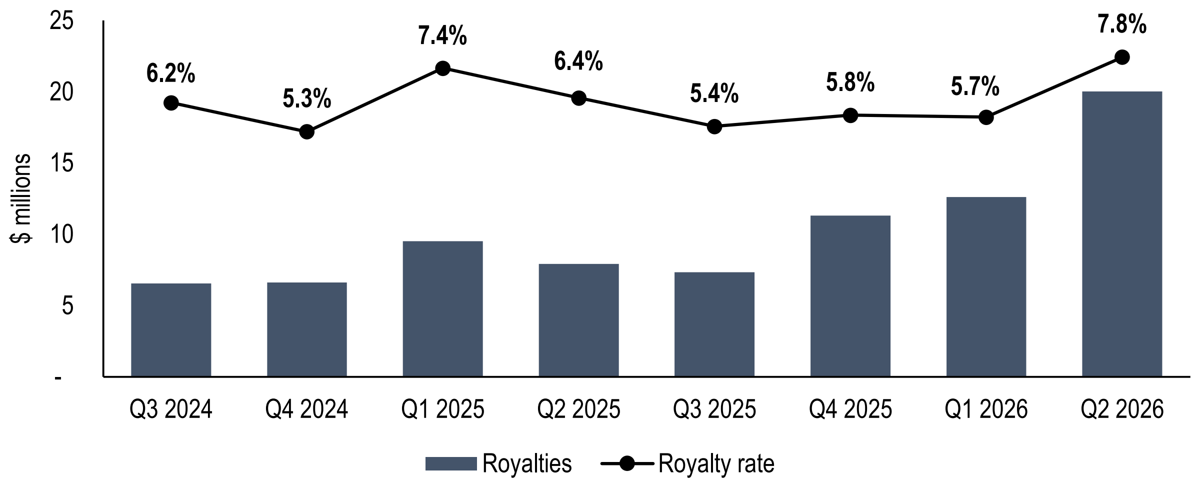
For additional information concerning the Company's foreign currency exchange contracts, refer to Note 11 of the Interim Financial Statements.

Royalties

	Three months ended June 30				Six months ended June 30			
	2026	Rate (1)	2025	Rate (1)	2026	Rate (1)	2025	Rate (1)
Ongoing Operations	20.0	7.8%	7.9	6.4%	32.6	6.8%	17.4	6.9%
Sold Assets	(6.0)	NM (2)	(2.2)	NM (2)	(6.0)	NM (2)	15.0	12.6%
Royalties – Total Company	14.0	5.4%	5.7	4.6%	26.6	5.6%	32.4	8.7%
$/Boe – Ongoing Operations (1)	*4.65*		*2.75*		*3.77*		*3.14*	
$/Boe – Total Company (1)	*3.25*		*2.00*		*3.08*		*4.17*	

(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 on these measures.
(2) NM Not meaningful.

Royalties
Ongoing Operations



Total Company royalties were $14.0 million in the second quarter of 2026 compared to $5.7 million in the same period in 2025. Total Company royalties increased in the second quarter of 2026 mainly due to higher petroleum and natural gas sales, partially offset by a decrease to royalties of $6.0 million in the second quarter of 2026 on the finalization of gas cost allowance amounts related to the Sold Assets following annual gas cost allowance filings.

Royalties relating to Ongoing Operations were $20.0 million in the second quarter of 2026 compared to $7.9 million in the same period in 2025. Royalties relating to Ongoing Operations increased in second quarter of 2026 mainly due to higher petroleum and natural gas sales. The Ongoing Operations royalty rate increased in the second quarter of 2026 mainly due to higher royalty rates at Kaybob, where a lesser proportion of wells benefit from royalty incentives and higher liquid prices increased rates.

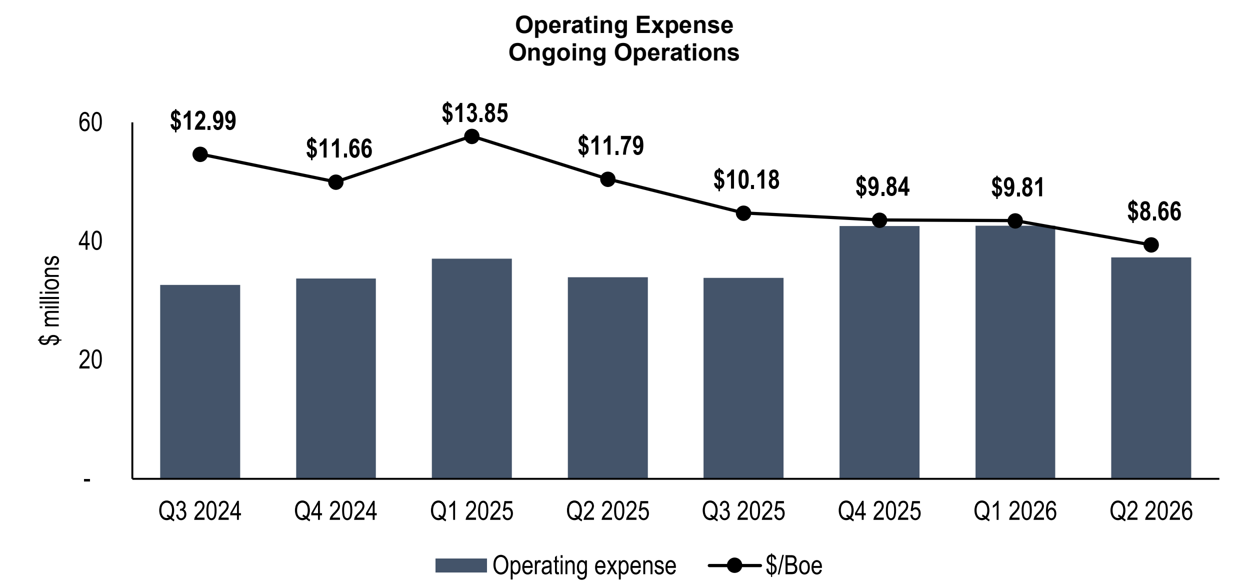
Total Company royalties were $26.6 million for the six months ended June 30, 2026 compared to $32.4 million in the same period in 2025. Total Company royalties decreased in the six months ended June 30, 2026 due to the impacts from the Grande Prairie Disposition.

Royalties relating to Ongoing Operations were $32.6 million for the six months ended June 30, 2026 compared to $17.4 million in the same period in 2025. Royalties from Ongoing Operations increased mainly due to higher petroleum and natural gas sales. Royalty rates for Ongoing Operations were relatively consistent in both periods.

Operating Expense

	Three months ended June 30			Six months ended June 30		
	2026	2025	% Chg	2026	2025	% Chg
Ongoing Operations	37.3	33.9	*10*	79.9	71.0	*13*
Sold Assets	–	1.8	*(100)*	–	32.5	*(100)*
Operating expense – Total Company	**37.3**	35.7	*4*	**79.9**	103.5	*(23)*
$/Boe – Ongoing Operations (1)	***8.66***	*11.79*	*(27)*	***9.24***	*12.78*	*(28)*
$/Boe – Total Company (1)	***8.66***	*12.39*	*(30)*	***9.24***	*13.31*	*(31)*

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



Total Company operating expense was $37.3 million ($8.66/Boe) in the second quarter of 2026 compared to total Company operating expense of $35.7 million ($12.39/Boe) in the same period in 2025. Operating expense increased in the second quarter of 2026, with both phases of the Alhambra Plant being onstream and higher production levels. The impact of this was partially offset by lower operating expense at Kaybob due to less workover and maintenance activities. Paramount finished the commissioning of the water recycling facility at the Alhambra Plant in the second quarter of 2026, which is expected to reduce both operating costs and well completion costs in the future.

Total Company operating expense was $79.9 million ($9.24/Boe) for the six months ended June 30, 2026 compared to $103.5 million ($13.31/Boe) in the same period in 2025. Total Company operating expense decreased due to the Grande Prairie Disposition.

Operating expenses relating to Ongoing Operations were $79.9 million ($9.24/Boe) for the six months ended June 30, 2026 compared to $71.0 million ($12.78/Boe) in the same period in 2025. Operating expenses relating to Ongoing Operations increased in the six months ended June 30, 2026, with both phases of the Alhambra Plant being onstream and higher production levels. The impact of this was partially offset by lower operating expense at Kaybob.

Ongoing Operations per unit operating expenses in 2026 were lower mainly as a result of a greater proportion of sales volumes at Willesden Green, which had a property-level operating expense of $4.51/Boe for the six months ended June 30, 2026.

Transportation and NGLs Processing

	Three months ended June 30			Six months ended June 30		
	2026	2025	% Chg	2026	2025	% Chg
Ongoing Operations	**20.4**	13.3	*53*	**41.4**	26.0	*59*
Sold Assets	**–**	(0.1)	*(100)*	**–**	7.6	*(100)*
Transportation and NGLs processing – Total Company	**20.4**	13.2	*55*	**41.4**	33.6	*23*
$/Boe – Ongoing Operations (1)	***4.75***	*4.61*	*3*	***4.79***	*4.68*	*2*
$/Boe – Total Company (1)	***4.75***	*4.57*	*4*	***4.79***	*4.32*	*11*

(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 on this measure.

Total Company and Ongoing Operations transportation and NGLs processing expense in the second quarter of 2026 was $20.4 million ($4.75/Boe) compared to $13.2 million ($4.57/Boe) in the same period in 2025. Transportation and NGLs processing expense increased in the second quarter of 2026 mainly due to higher contracted transportation capacity and higher sales volumes at Willesden Green.

Total Company transportation and NGLs processing expense was $41.4 million ($4.79/Boe) for the six months ended June 30, 2026 compared to $33.6 million ($4.32/Boe) in the same period in 2025. Total Company transportation and NGLs processing expense increased in the six months ended June 30, 2026 mainly due to higher contracted transportation capacity and higher sales volumes at Willesden Green, the impact of which was partially offset by the Grande Prairie Disposition in 2025.

Transportation and NGLs processing expense relating to Ongoing Operations was $41.4 million ($4.79/Boe) for the six months ended June 30, 2026 compared to $26.0 million ($4.68/Boe) in the same period in 2025. Transportation and NGLs processing expense relating to Ongoing Operations increased in 2026 mainly due to higher contracted transportation capacity and higher sales volumes at Willesden Green.

Sales of Commodities Purchased and Commodities Purchased

	Three months ended June 30			Six months ended June 30		
	2026	2025	% Chg	2026	2025	% Chg
Sales of commodities purchased	**70.6**	43.7	*62*	**134.9**	153.4	*(12)*
Commodities purchased	**(69.5)**	(43.4)	*60*	**(133.4)**	(150.5)	*(11)*

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

Other Items

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
Depletion and depreciation expense (1)	77.7	59.8	156.1	111.1
Change in asset retirement obligations (1)	0.1	1.9	6.6	3.7
Exploration and evaluation expense	2.2	6.7	3.8	8.5
Loss (gain) on sale of oil and gas assets	11.9	15.3	(16.5)	(1,603.8)
Accretion of asset retirement obligations and provisions	6.3	6.0	12.6	13.1

(1) Refer to Note 3 of the Interim Financial Statements.

Depletion and depreciation expense was $77.7 million in the second quarter of 2026 compared to $59.8 million in the same period in 2025. Depletion and depreciation expense was $156.1 million in the six months ended June 30, 2026 compared to $111.1 million in the same period in 2025. The increase in 2026 was mainly due to the impact of higher sales volumes at Willesden Green. No depletion and depreciation expense was recorded in respect of the Sold Assets for the six months ended June 30, 2025 as the assets were classified as held for sale.

For the six months ended June 30, 2026, the Company recorded a charge of $6.6 million (June 30 2025 – $3.7 million) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment. For the six months ended June 30, 2026, the changes mainly resulted from a reduction in the credit-adjusted risk-free rate used to discount obligations from 7.0 percent per annum to 6.5 percent per annum.

Exploration and evaluation expense was $2.2 million and $3.8 million for the three and six months ended June 30, 2026, respectively, compared to $6.7 million and $8.5 million for the same periods in 2025.

On June 30, 2026, Paramount closed the Fox Drilling Sale to AKITA. Fox Drilling's assets included six triple-sized drilling rigs. Paramount received aggregate consideration for the Fox Drilling Sale of $68.7 million, which was comprised of approximately 19.3 million AKITA Shares, valued at their trading price of $3.41 per share on the closing date, and $3.0 million cash. The Company recorded an $11.4 million loss on sale of oil and gas assets in connection with the transaction.

On closing of the Fox Drilling Sale, Paramount entered into an agreement with AKITA to utilize the Fox Drilling rigs or equivalent rigs of AKITA for an aggregate of 2,700 days in the three-year period following closing.

In March 2026, Paramount sold certain undeveloped heavy oil exploration and evaluation assets in northeast Alberta for cash proceeds of $23.0 million, realizing a $21.6 million gain on sale of oil and gas assets in connection with the transaction.

For the six months ended June 30, 2025, the Company recognized a gain on sale of oil and gas assets of $1.594 billion in respect of the Grande Prairie Disposition. For additional information concerning the Grande Prairie Disposition, refer to Note 4 of the Annual Financial Statements.

ASSET RETIREMENT OBLIGATIONS AND PROVISIONS

Asset retirement obligations settled in the six months ended June 30, 2026 totaled $28.1 million. Activities in the first half of 2026 included the abandonment of 22 wells, decommissioning of eight pipeline segments and the reclamation of 19 sites.

Paramount's estimated undiscounted, uninflated asset retirement obligations were $812.5 million at June 30, 2026 (December 31, 2025 – $792.0 million). At June 30, 2026 the Company's discounted asset retirement obligations were $400.5 million (discounted at 6.5 percent per annum and using an inflation rate of 2.0 percent per annum) compared to $374.1 million at December 31, 2025 (discounted at 7.0 percent per annum and using an inflation rate of 2.0 percent per annum).

During the six months ended June 30, 2026, provisions settled totaled $9.1 million. The undiscounted, uninflated provision at June 30, 2026 was $21.2 million. The Company's discounted provisions were $18.6 million at June 30, 2026, which were discounted at a rate of 6.5 percent per annum over the next nine years. The provision relates to anticipated future costs associated with a release believed to have originated from a Company owned pipeline.

For additional information concerning the Company's asset retirement obligations and provisions, refer to Note 6 of the Interim Financial Statements and Note 9 of the Annual Financial Statements.

OTHER ASSETS

Investments in Securities

As at	June 30, 2026	December 31, 2025
Level One Securities	81.0	10.7
Level Three Securities	127.0	126.6
	208.0	137.3

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.

Current Level One Securities of $66.8 million at June 30, 2026 consisted of approximately 19.3 million AKITA Shares. These shares were distributed by way of special dividend to holders of Paramount Common Shares on July 16, 2026. Refer to the "Liquidity and Capital Resources – Dividends and Distributions" section of this MD&A for further details.

Level Three Securities at June 30, 2026 included investments in the shares of Sultran Ltd. and other minor investments in securities. During the six months ended June 30, 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.

For the three and six months ended June 30, 2026, the Company recorded a before tax gain of $0.5 million and $4.6 million, respectively, to other comprehensive income related to changes in the fair value estimates of its investments in securities.

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

CORPORATE

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
General and administrative expense	**11.8**	13.9	**24.2**	28.0
Share-based compensation expense	**4.7**	3.2	**12.1**	21.7
Transaction and reorganization costs	**–**	0.7	**–**	24.3
Interest and financing expense	**1.6**	1.3	**3.0**	3.9
Interest income	**(3.9)**	(5.5)	**(8.8)**	(13.0)
Dividend income and other	**(6.0)**	(1.2)	**(7.6)**	(3.8)
Deferred income tax expense	**16.0**	0.4	**32.3**	383.3

General and administrative expense was $11.8 million and $24.2 million for the three and six months ended June 30, 2026, respectively, compared to $13.9 million and $28.0 million in the same periods in 2025.

Share-based compensation expense was $4.7 million and $12.1 million for the three and six months ended June 30, 2026, respectively, compared to $3.2 million and $21.7 million in the same periods in 2025. Share-based compensation expense for the six months ended June 30, 2025 was higher mainly due to the impact of the elimination in 2025 of vesting periods for previously issued restricted share units under the Company's CBRSU plan.

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

Interest income was $3.9 million and $8.8 million for the three and six months ended June 30, 2026, respectively, compared to $5.5 million and $13.0 million for the same periods in 2025. Interest income was lower in 2026 because of lower cash and cash equivalents balances held.

Dividend income and other was $6.0 million and $7.6 million for the three and six months ended June 30, 2026, respectively, compared to $1.2 million and $3.8 million for the same periods in 2025. Dividend income for the three and six months ended June 30, 2026 includes $5.5 million (three and six months ended June 30, 2025 – $3.1 million) received from Sultran Ltd., one of the Company's Level Three Securities.

For the three months ended June 30, 2026, the Company recorded deferred income tax expense of $16.0 million compared to $0.4 million in the same period in 2025. Deferred income tax expense was $32.3 million for the six months ended June 30, 2026 compared to $383.3 million in the same period in 2025. Deferred income tax for the six months ended June 30, 2025 was higher mainly due to the gain on sale of oil and gas assets realized in connection with the Grande Prairie Disposition.

CAPITAL EXPENDITURES AND LAND AND PROPERTY ACQUISITIONS

Capital Expenditures

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
Drilling, completion, equipping and tie-ins	186.4	99.2	342.1	271.4
Facilities and gathering	103.6	51.4	200.9	88.9
Drilling rigs	4.3	1.6	5.8	4.7
Corporate	2.4	5.4	4.7	8.3
Capital expenditures	296.7	157.6	553.5	373.3
Willesden Green	186.8	106.2	348.5	226.9
Sinclair	99.7	5.0	159.2	21.8
Kaybob	3.5	40.2	35.2	91.3
Fox Drilling	4.3	1.6	5.8	4.7
Corporate and other	2.4	9.0	4.8	12.6
Ongoing Operations	296.7	162.0	553.5	357.3
Sold Assets	–	(4.4)	–	16.0
Capital expenditures	296.7	157.6	553.5	373.3

Land and Property Acquisitions

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
Land and property acquisitions	51.0	0.6	73.2	3.8

Capital expenditures totaled $296.7 million in the second quarter of 2026 compared to $157.6 million in the same period in 2025. Capital expenditures totaled $553.5 million in the six months ended June 30, 2026 compared to $373.3 million in the same period in 2025. Significant capital program activities in the first half of 2026 are described below.

- Development activities at Willesden Green included drilling 16 (16.0 net) Duvernay wells and completing and bringing on production of ten (10.0 net) Duvernay wells. Construction of the second phase of the Alhambra Plant at Willesden Green was completed, with first sales volumes achieved in early-June 2026. Paramount completed the commissioning of the water recycling facility at the Alhambra Plant and continued the construction of the pipeline interconnecting the Alhambra and the Leafland Plants and of incremental compression and dehydration capacity at the Leafland Plant.

- At Sinclair, the Company continued activities to advance the construction of the Sinclair Plant, including earthworks at the plant site, engineering and offsite module fabrication. The Sinclair Plant is being designed to handle up to 400 MMcf/d of raw natural gas and is planned to start-up in the fourth quarter of 2027. In addition, Paramount completed the construction of a freshwater reservoir, drilled an acid gas injection well, drilled the first four (4.0 net) wells of a total of 10 (10.0 net) Montney wells to be drilled in 2026 and completed two (2.0 net) Montney appraisal wells.

- At Kaybob North, Paramount drilled two (2.0 net) Duvernay wells and completed and brought on production three (3.0 net) Duvernay wells.

Land and property acquisitions totaled $51.0 million in the second quarter of 2026 compared to $0.6 million in the same period in 2025. Land and property acquisitions totaled $73.2 million in the six months ended June 30, 2026 compared to $3.8 million in the same period in 2025.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

iii. maximize shareholder returns considering the risk environment.

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

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

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

As at	June 30, 2026	December 31, 2025
Cash and cash equivalents	(449.0)	(730.8)
Accounts receivable	(105.1)	(98.4)
Prepaid expenses and other	(24.6)	(16.8)
Investments in securities – current	(66.8)	–
Accounts payable and accrued liabilities	249.6	173.2
Dividend payable	66.8	–
Long-term debt	–	–
Net (cash) debt	(329.1)	(672.8)

Net (cash) debt does not account for the $141.2 million carrying value of the long-term portion of the Company's investments in securities at June 30, 2026 (December 31, 2025 – $137.3 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 "Updated 2026 Production Guidance" section, Paramount expects to fully fund its forecast 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. In the first half of 2026, the Company realized cash proceeds of $31 million from the disposition of assets. 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 investment in the common shares of NuVista Energy Ltd. 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	June 30, 2026	December 31, 2025
Revolving Credit Facility	–	–
Term Loan Facility	–	–
Long-Term Debt	–	–

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.

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.

Paramount also has a $250 million secured, non-revolving, non-amortizing, delayed draw term loan facility (the "Term Loan Facility") with Export Development Canada ("EDC"). 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 has a maturity date of December 15, 2030.

The Company had undrawn letters of credit outstanding under the Revolving Credit Facility totaling $5.0 million at June 30, 2026 (December 31, 2025 – $4.8 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, refer to Note 8 of the Annual Financial Statements.

Unsecured Letter of Credit Facility

The Company has a $90 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank. Paramount's obligations under the LC Facility are supported by a performance security guarantee from EDC. In April 2026, the term of the performance security guarantee was extended to May 31, 2028. At June 30, 2026, $74.5 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2025 – $33.0 million).

Cash Flow Hedges

The Company had the following electricity swaps at June 30, 2026:

Contract type	Aggregate notional (1)	Average fixed contract rate (1)	Remaining term
Electricity Swaps (Buy)	120 MWh/d	$58.19/MWh	July 2026 – December 2028
Electricity Swaps (Buy)	120 MWh/d	$58.79/MWh	July 2026 – December 2029
Electricity Swaps (Buy)	120 MWh/d	$61.73/MWh	July 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 June 30, 2026.

Paramount Options and Share Capital

For the six months ended June 30, 2026, Paramount issued 1.1 million Common Shares on the exercise of Paramount Options and 0.4 million Common Shares to CBRSU plan participants.

During the six months ended June 30, 2026, 0.1 million Common Shares having a cost of $1.9 million were released from the trust holding Common Shares for the Company's CBRSU plan to participants (June 30, 2025 – 1.3 million Common Shares were purchased under the Company's CBRSU plan at a total cost of $20.2 million and 1.4 million Common Shares having a cost of $27.1 million were released from the trust to CBRSU plan participants).

At August 5, 2026, Paramount had 145.9 million Common Shares outstanding (net of 0.1 million Common Shares held in trust under the Company's CBRSU plan) and 7.4 million Paramount Options outstanding, of which 1.3 million Paramount Options are exercisable.

For additional information concerning Paramount Options, refer to Note 9 of the Interim Financial Statements.

Dividends and Distributions

On June 30, 2026, Paramount's Board of Directors declared a special dividend in kind of all 19.3 million of the Company's AKITA Shares to holders of record of Paramount's Common Shares on July 9, 2026. The special dividend was paid on July 16, 2026.

At June 30, 2026, a dividend payable of $66.8 million was recorded (approximately 0.132 of an AKITA common share per Common Share or $0.46 per Common Share) and the Company's investment in AKITA Shares was classified as a current asset.

For the six months ended June 30, 2026, Paramount declared and paid regular monthly cash dividends totaling $0.30 per Common Share or $43.5 million (June 30, 2025 – $0.40 per Common Share or $58.0 million). The Company also paid a regular monthly cash dividend of $0.05 per Common Share or $7.3 million on July 31, 2026 to shareholders of record on July 17, 2026. In August 2026, Paramount's Board of Directors declared a cash dividend of $0.05 per Common Share that is payable on August 31, 2026 to shareholders of record on August 17, 2026.

In the first quarter of 2025, the Company utilized 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.

Normal Course Issuer Bid

In July 2026, Paramount implemented a normal course issuer bid (the "2026 NCIB") under which the Company may purchase up to 7.7 million Common Shares for cancellation. The 2026 NCIB will terminate on the earlier of July 7, 2027 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2026 NCIB are purchased. Purchases of Common Shares under the 2026 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 2026 NCIB to date.

Pursuant to the rules of the TSX, the Company may purchase a maximum of 72,576 Common Shares under the 2026 NCIB in any one day. Paramount may also make one block purchase per calendar week which exceeds such daily purchase limit, subject to the rules of the TSX. Any Common Shares purchased pursuant to the 2026 NCIB will be cancelled by the Company. Any shareholder may obtain, for no charge, a copy of the notice in respect of the 2026 NCIB filed with the TSX by contacting the Company at 403-290-3600.

Paramount previously implemented a normal course issuer bid in July 2025 (the "2025 NCIB"). No shares were purchased under the 2025 NCIB, which expired on July 7, 2026.

QUARTERLY INFORMATION

	2026		2025				2024 (1)	
	Q2	Q1	Q4	Q3	Q2	Q1 (2)	Q4	Q3
Petroleum and natural gas sales	**260.7**	228.6	198.5	144.2	127.2	266.6	459.3	404.8
Revenue	**317.3**	280.4	259.9	191.1	165.2	349.6	509.5	438.0
Net income (loss)	**68.3**	53.2	(1.9)	(2.3)	4.2	1,288.8	87.4	95.8
Per share – basic ($/share)	***0.47***	*0.37*	*(0.01)*	*(0.02)*	*0.03*	*8.90*	*0.60*	*0.65*
Per share – diluted ($/share)	***0.46***	*0.36*	*(0.01)*	*(0.02)*	*0.03*	*8.74*	*0.59*	*0.64*
Cash from operating activities	**144.4**	116.2	185.4	42.3	39.8	149.9	187.7	205.7
Per share – basic ($/share) (3)	***0.99***	*0.80*	*1.29*	*0.30*	*0.28*	*1.03*	*1.28*	*1.40*
Per share – diluted ($/share) (3)	***0.97***	*0.79*	*1.29*	*0.30*	*0.27*	*1.02*	*1.26*	*1.38*
Adjusted funds flow (3)	**175.6**	143.4	140.1	96.8	81.5	149.1	237.8	200.7
Per share – basic ($/share)	***1.21***	*0.99*	*0.97*	*0.67*	*0.57*	*1.03*	*1.62*	*1.37*
Per share – diluted ($/share)	***1.18***	*0.97*	*0.97*	*0.67*	*0.56*	*1.01*	*1.59*	*1.34*
Free cash flow (3)	**(128.5)**	(146.9)	(84.6)	(124.5)	(85.5)	(90.6)	52.8	(26.3)
Per share – basic ($/share)	***(0.88)***	*(1.02)*	*(0.59)*	*(0.87)*	*(0.60)*	*(0.63)*	*0.36*	*(0.18)*
Per share – diluted ($/share)	***(0.86)***	*(0.99)*	*(0.59)*	*(0.87)*	*(0.60)*	*(0.63)*	*0.35*	*(0.18)*
Cash dividends & distributions declared & paid ($/share) (4)	**0.15**	0.15	0.15	0.15	0.15	15.25	0.45	0.45
Sales volumes								
Natural gas (MMcf/d)	**144.4**	144.5	133.1	112.4	103.3	179.6	317.3	294.5
Condensate and oil (Bbl/d)	**17,803**	18,137	19,472	13,997	11,636	20,542	42,835	38,770
Other NGLs (Bbl/d)	**5,415**	6,037	5,318	3,363	2,786	3,934	6,753	7,045
Total (Boe/d)	**47,279**	48,255	46,973	36,087	31,631	54,409	102,477	94,892
Liquids %	***49%***	*50%*	*53%*	*48%*	*46%*	*45%*	*48%*	*48%*
Realized prices (3)								
Natural gas ($/Mcf)	**2.50**	3.52	3.58	1.96	3.07	3.25	1.99	1.37
Condensate and oil ($/Bbl)	**126.96**	96.27	76.66	82.01	82.84	97.70	96.26	96.15
Other NGLs ($/Bbl)	**38.50**	30.61	27.15	27.04	27.02	40.47	34.32	36.25
Petroleum and natural gas ($/Boe)	**60.59**	52.65	45.92	43.43	44.20	54.43	48.72	46.37

(1) Includes the results of operations of the Sold Assets.
(2) Includes 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.
(3) Adjusted funds flow and free cash flow are capital management measures used by Paramount. Each measure presented on a per share, $/Bbl, $/Mcf or $/Boe basis, other than net income per share, is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures. 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.
(4) Cash dividends & distributions declared & paid represents dividends and distributions paid in cash and exclude the dividend in kind of the AKITA Shares declared on June 30, 2026 and paid on July 16, 2026.

Significant Items Impacting Quarterly Results

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

- Second quarter 2026 earnings include a $11.9 million loss on the sale of oil and gas assets.
- First quarter 2026 earnings include a $28.5 million gain on the sale of oil and gas assets.
- 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.

OTHER INFORMATION

Commitments

Paramount had the following contractual obligations at June 30, 2026: [(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	85.0	243.6	217.6	607.8	**1,154.0**
Capital commitments, leases and other	79.7	48.8	6.1	15.1	**149.7**
	164.7	**292.4**	**223.7**	**622.9**	**1,303.7**

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

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

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.

CHANGES IN ACCOUNTING STANDARDS

Adoption of Accounting Standards

Effective January 1, 2026, the Company adopted 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. As a result of the adoption of the amendments to IFRS 9, Paramount no longer deducts the value of outstanding cheques from cash and cash equivalents and accounts payable and accrued liabilities at the end of each reporting period. To December 31, 2025, the value of outstanding cheques was deducted from cash and cash equivalents and accounts payable and accrued liabilities. This change was accounted for prospectively for periods beginning on and after January 1, 2026.

The following table summarizes the impact of adopting amendments to IFRS 9 on the Company's balance sheet at January 1, 2026:

As at	December 31, 2025	Effect of change	January 1, 2026
Cash and cash equivalents	730.8	16.3	747.1
Accounts payable and accrued liabilities	173.2	16.3	189.5

Future Changes in Accounting Standards

In April 2024, the International Accounting Standards Board 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 matters 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the three months ended June 30, 2026, there was no change in the Company's internal control over financial reporting ("ICFR") that materially affected, or is reasonably likely to materially affect, the Company's ICFR.

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

RISK FACTORS

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

Hostilities in the Middle East, including between the United States and Iran, have 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 in 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".

The United States has imposed import tariffs on goods from certain major trading partners, including Canada, which remain in effect on the date of this MD&A. These tariffs do not currently extend to energy and energy products. In turn, 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.

The first joint review of the Canada-United States-Mexico Agreement ("CUSMA") by Canada, the United States and Mexico was due to be completed by July 1, 2026. On July 1, 2026, the United States declined to confirm its renewal of CUSMA. As a result, 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 in 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 in 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".

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.

For additional information concerning accounting judgments, estimates and assumptions that are considered significant, refer to Note 3 of the Annual Financial Statements.

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.

	2026		2025				2024		YTD June 30	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	2026	2025
SALES VOLUMES – TOTAL COMPANY BY PRODUCT TYPE										
Shale gas (MMcf/d)	**105.9**	107.9	96.5	72.8	58.9	134.2	269.2	249.0	106.9	96.3
Conventional natural gas (MMcf/d)	**38.5**	36.6	36.6	39.6	44.4	45.4	48.1	45.5	37.5	44.9
Natural gas (MMcf/d)	**144.4**	144.5	133.1	112.4	103.3	179.6	317.3	294.5	144.4	141.2
Condensate (Bbl/d)	**16,505**	16,623	17,777	12,180	9,688	18,922	41,243	36,830	16,563	14,279
Other NGLs (Bbl/d)	**5,415**	6,037	5,318	3,363	2,786	3,934	6,753	7,045	5,724	3,357
NGLs (Bbl/d)	**21,920**	22,660	23,095	15,543	12,474	22,856	47,996	43,875	22,287	17,636
Light and medium crude oil (Bbl/d)	**716**	887	1,065	1,188	1,263	971	792	1,235	801	1,118
Tight oil (Bbl/d)	**215**	243	238	254	285	291	393	368	229	288
Heavy crude oil (Bbl/d)	**367**	384	392	375	400	358	407	337	376	379
Crude oil (Bbl/d)	**1,298**	1,514	1,695	1,817	1,948	1,620	1,592	1,940	1,406	1,785
Total (Boe/d)	**47,279**	48,255	46,973	36,087	31,631	54,409	102,477	94,892	47,765	42,957

SALES VOLUMES – BY PROPERTY BY PRODUCT TYPE										
WILLESDEN GREEN										
Shale gas (MMcf/d)	**73.9**	69.9	56.1	30.3	19.4	17.6	19.7	14.2	71.9	18.5
Conventional natural gas (MMcf/d)	**0.2**	0.2	2.6	2.8	3.0	3.4	3.4	3.6	0.2	3.2
Natural gas (MMcf/d)	**74.1**	70.1	58.7	33.1	22.4	21.0	23.1	17.8	72.1	21.7
Condensate (Bbl/d)	**10,723**	12,141	11,843	5,701	3,759	2,991	3,118	1,963	11,428	3,377
Other NGLs (Bbl/d)	**4,227**	4,716	3,926	2,132	1,517	1,179	1,284	918	4,470	1,349
NGLs (Bbl/d)	**14,950**	16,857	15,769	7,833	5,276	4,170	4,402	2,881	15,898	4,726
Light and medium crude oil (Bbl/d)	**11**	20	21	22	22	28	20	11	15	25
Tight oil (Bbl/d)	**163**	187	178	190	211	234	220	160	175	223
Crude oil (Bbl/d)	**174**	207	199	212	233	262	240	171	190	248
Total (Boe/d)	**27,466**	28,750	25,752	13,550	9,223	7,929	8,488	6,014	28,104	8,580

KAYBOB										
Shale gas (MMcf/d)	**32.0**	38.0	38.1	36.7	39.5	39.7	35.7	31.8	35.0	39.6
Conventional natural gas (MMcf/d)	**38.1**	36.2	33.8	36.6	41.2	41.8	44.3	41.6	37.1	41.5
Natural gas (MMcf/d)	**70.1**	74.2	71.9	73.3	80.7	81.5	80.0	73.4	72.1	81.1
Condensate (Bbl/d)	**5,781**	4,481	5,933	6,478	5,928	5,500	6,794	5,943	5,134	5,715
Other NGLs (Bbl/d)	**1,184**	1,316	1,368	1,223	1,263	1,292	1,480	1,403	1,249	1,278
NGLs (Bbl/d)	**6,965**	5,797	7,301	7,701	7,191	6,792	8,274	7,346	6,383	6,993
Light and medium crude oil (Bbl/d)	**705**	867	1,044	1,166	1,241	943	772	1,224	786	1,093
Tight oil (Bbl/d)	**52**	56	60	64	74	57	60	85	54	65
Crude oil (Bbl/d)	**757**	923	1,104	1,230	1,315	1,000	832	1,309	840	1,158
Total (Boe/d)	**19,413**	19,088	20,387	21,155	21,962	21,371	22,441	20,894	19,251	21,668

	2026		2025				2024		YTD June 30	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	2026	2025
OTHER										
Shale gas (MMcf/d)	–	–	2.3	5.8	–	–	–	–	–	–
Conventional natural gas (MMcf/d)	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2
Natural gas (MMcf/d)	0.2	0.2	2.5	6.0	0.2	0.2	0.3	0.2	0.2	0.2
Condensate (Bbl/d)	1	1	1	1	1	1	2	1	1	1
Other NGLs (Bbl/d)	4	5	24	8	6	7	12	6	5	6
NGLs (Bbl/d)	5	6	25	9	7	8	14	7	6	7
Heavy crude oil (Bbl/d)	367	384	392	375	400	358	407	337	376	379
Crude oil (Bbl/d)	367	384	392	375	400	358	407	337	376	379
Total (Boe/d)	400	417	834	1,382	446	405	484	376	410	425

SOLD ASSETS										
Shale gas (MMcf/d)	–	–	–	–	–	76.9	213.8	203.0	–	38.2
Conventional natural gas (MMcf/d)	–	–	–	–	–	–	0.1	0.1	–	–
Natural gas (MMcf/d)	–	–	–	–	–	76.9	213.9	203.1	–	38.2
Condensate (Bbl/d)	–	–	–	–	–	10,430	31,329	28,923	–	5,186
Other NGLs (Bbl/d)	–	–	–	–	–	1,456	3,977	4,718	–	724
NGLs (Bbl/d)	–	–	–	–	–	11,886	35,306	33,641	–	5,910
Tight oil (Bbl/d)	–	–	–	–	–	–	113	123	–	–
Crude oil (Bbl/d)	–	–	–	–	–	–	113	123	–	–
Total (Boe/d)	–	–	–	–	–	24,704	71,064	67,608	–	12,284

Paramount is forecasting 2026 annual average sales volumes of between 51,000 Boe/d and 53,000 Boe/d (51% shale gas and conventional natural gas combined, 36% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 13% other NGLs):

- Third quarter 2026 average sales volumes are expected to be between 50,000 Boe/d and 53,000 Boe/d (53% shale gas and conventional natural gas combined, 34% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 13% other NGLs).
- Fourth quarter 2026 average sales volumes are expected to be between 60,000 Boe/d and 63,000 Boe/d (51% shale gas and conventional natural gas combined, 36% 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 and 65,000 Boe/d (50% shale gas and conventional natural gas combined, 37% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 13% 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, 27% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 8% other NGLs).

SPECIFIED FINANCIAL MEASURES

Non-GAAP Financial Measures

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

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

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

A calculation of netback and netback including risk management contract settlements for the three and six months ended June 30, 2026 and 2025 is provided in this MD&A under "Operating Results – Netback".

Non-GAAP Ratios

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

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

Capital Management Measures

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

A reconciliation of adjusted funds flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three and six months ended June 30, 2026 and 2025 is provided in this MD&A under "Consolidated Results – Adjusted Funds Flow".

A reconciliation of free cash flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three and six months ended June 30, 2026 and 2025 is provided in this MD&A under "Consolidated Results – Free Cash Flow".

A calculation of net (cash) debt as at June 30, 2026 and December 31, 2025 is provided in this MD&A under the "Liquidity and Capital Resources" section. Paramount's net debt to adjusted funds flow ratio was considered not meaningful at June 30, 2026 and December 31, 2025, as the Company was not in a net debt position.

Supplementary Financial Measures

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

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

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

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

ADVISORIES

Forward-looking Information

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

- expected average sales volumes for 2026 and certain periods therein;
- expected capital expenditures in 2026;
- expected 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 expectation that the Company will be in a position to make a final investment decision respecting the acceleration of the third phase expansion of the Alhambra Plant as early as the fourth quarter of 2026;
- the expectation that the water recycling facility at the Alhambra Plant will reduce both operating costs and well completion costs in the future;
- the expected timing of completion of the Sinclair Plant and the expected capacity thereof on completion;
- 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 facilities, pipelines and other infrastructure) 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; 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; 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;
- uncertainties respecting the course and outcome of the conflict in the Middle East, including its impact on the supply and pricing of commodities and on general economic conditions;
- 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 or existing third-party and Company facilities, pipelines and other infrastructure;
- 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 facilities, pipelines and other infrastructure 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 facilities, pipelines and other infrastructure, 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 for the year ended December 31, 2025, 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	
Bbl	Barrels
Bbl/d	Barrels per day
NGLs	Natural gas liquids
Condensate	Pentane and heavier hydrocarbons
WTI	West Texas Intermediate

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

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

This MD&A contains disclosures expressed as "Boe", "$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the six months ended June 30, 2026, the value ratio between crude oil and natural gas was approximately 60:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value.

Interim Condensed Consolidated Financial Statements (Unaudited)
For the three and six months ended June 30, 2026

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

($ millions)

As at	Note	June 30 2026	December 31 2025
ASSETS			
Current assets			
Cash and cash equivalents	14	449.0	730.8
Accounts receivable		105.1	98.4
Risk management – current	11	14.5	2.1
Prepaid expenses and other		24.6	16.8
Investments in securities – current	4	66.8	–
		660.0	848.1
Investments in securities – long-term	4	141.2	137.3
Risk management – long-term	11	5.2	6.2
Exploration and evaluation	2	546.7	489.7
Property, plant and equipment, net	3	2,479.0	2,105.9
		3,832.1	3,587.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		249.6	173.2
Dividend payable	7	66.8	–
Risk management – current	11	8.2	3.3
Asset retirement obligations and other – current	6	27.6	48.6
		352.2	225.1
Risk management – long-term	11	7.7	7.2
Asset retirement obligations and other – long-term	6	416.2	377.2
Deferred income tax		298.0	265.9
		1,074.1	875.4
Commitments and contingencies	16		
Shareholders' equity			
Share capital	7	556.8	526.3
Retained earnings		1,923.6	1,912.4
Reserves	8	277.6	273.1
		2,758.0	2,711.8
		3,832.1	3,587.2

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

($ millions, except as noted)

	Note	Three months ended June 30 2026	Three months ended June 30 2025	Six months ended June 30 2026	Six months ended June 30 2025
Petroleum and natural gas sales		260.7	127.2	489.3	393.8
Royalties		(14.0)	(5.7)	(26.6)	(32.4)
Sales of commodities purchased		70.6	43.7	134.9	153.4
Revenue	12	317.3	165.2	597.6	514.8
Gain (loss) on risk management contracts	11	0.6	33.8	(3.6)	42.7
		317.9	199.0	594.0	557.5
Expenses					
Operating expense		37.3	35.7	79.9	103.5
Transportation and NGLs processing		20.4	13.2	41.4	33.6
Commodities purchased		69.5	43.4	133.4	150.5
General and administrative		11.8	13.9	24.2	28.0
Share-based compensation	9	4.7	3.2	12.1	21.7
Depletion and depreciation	3	77.8	61.7	162.7	114.8
Exploration and evaluation	2	2.2	6.7	3.8	8.5
Loss (gain) on sale of oil and gas assets	2,3	11.9	15.3	(16.5)	(1,603.8)
Accretion of asset retirement obligations and provisions	6	6.3	6.0	12.6	13.1
Transaction and reorganization costs	9	–	0.7	–	24.3
Interest and financing expense	14	1.6	1.3	3.0	3.9
Interest income	14	(3.9)	(5.5)	(8.8)	(13.0)
Dividend income and other	13	(6.0)	(1.2)	(7.6)	(3.8)
		233.6	194.4	440.2	(1,118.7)
Income before tax		84.3	4.6	153.8	1,676.2
Income tax expense					
Deferred	10	16.0	0.4	32.3	383.3
		16.0	0.4	32.3	383.3
Net income		68.3	4.2	121.5	1,292.9
Other comprehensive income, net of tax	8				
Items that will be reclassified to net income					
Change in fair value of cash flow hedges, net of tax		1.3	6.5	(3.8)	0.5
Reclassification to net income, net of tax		0.8	0.7	1.4	1.4
Items that will not be reclassified to net income					
Change in fair value of securities, net of tax	4	0.5	46.4	4.1	40.0
Comprehensive income		70.9	57.8	123.2	1,334.8
Net income per common share ($/share)	7				
Basic		0.47	0.03	0.84	8.98
Diluted		0.46	0.03	0.82	8.82

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

($ millions)

	Note	Three months ended June 30 2026	Three months ended June 30 2025	Six months ended June 30 2026	Six months ended June 30 2025
Operating activities					
Net income		**68.3**	4.2	**121.5**	1,292.9
Add (deduct):					
Items not involving cash	14	**104.9**	70.2	**193.5**	(1,094.5)
Asset retirement obligations settled	6	**(1.5)**	(3.0)	**(28.1)**	(25.2)
Provisions expense (recovery)	13	**0.2**	–	**0.4**	(0.5)
Provisions settled	6	**(3.7)**	–	**(9.1)**	–
Change in non-cash working capital		**(23.8)**	(31.6)	**(17.6)**	17.0
Cash from operating activities		**144.4**	39.8	**260.6**	189.7
Financing activities					
Net repayment of long-term debt	5	**–**	–	**–**	(173.6)
Lease liabilities – principal repayments	6	**(1.0)**	(1.1)	**(1.9)**	(2.1)
Dividends and distributions	7	**(21.8)**	(20.7)	**(43.5)**	(2,205.5)
Common Shares issued, net of issue costs	7	**4.5**	1.3	**10.7**	9.9
Common Shares purchased under NCIB	7	**–**	–	**–**	(157.1)
CBRSU plan including withholding tax	9	**(8.0)**	(31.5)	**(9.2)**	(34.8)
Change in non-cash working capital		**–**	–	**(2.1)**	2.4
Cash used in financing activities		**(26.3)**	(52.0)	**(46.0)**	(2,560.8)
Investing activities					
Capital expenditures	2,3	**(296.7)**	(157.6)	**(553.5)**	(373.3)
Land and property acquisitions	2,3	**(51.0)**	(0.6)	**(73.2)**	(3.8)
Proceeds of disposition	2,3,4	**1.4**	(19.1)	**31.3**	3,270.1
Investments	4	**(0.4)**	–	**(0.4)**	–
Change in non-cash working capital		**6.8**	(90.6)	**83.2**	37.9
Cash (used in) from investing activities		**(339.9)**	(267.9)	**(512.6)**	2,930.9
Net (decrease) increase		**(221.8)**	(280.1)	**(298.0)**	559.8
Foreign exchange on cash and cash equivalents		**(0.7)**	(1.0)	**(0.1)**	(0.4)
Cash and cash equivalents, beginning of period		**671.5**	842.9	**730.8**	2.4
Effects of IFRS 9 amendment, January 1, 2026	1	**–**	–	**16.3**	–
Cash and cash equivalents, end of period		**449.0**	561.8	**449.0**	561.8

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

Supplemental cash flow information 14

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

($ millions, except as noted)

Six months ended June 30	Note	2026		2025	
		Shares (millions)		*Shares (millions)*	
Share capital					
Balance, beginning of period		*144.2*	526.3	*146.9*	2,323.3
Issued on exercise of Paramount Options	7,9	*1.1*	17.1	*1.2*	13.7
Issued under CBRSU plan	7	*0.4*	11.5	–	–
Common Shares purchased & cancelled under NCIB	7	–	–	*(4.9)*	(111.1)
Change in Common Shares for CBRSU plan	9	*0.1*	1.9	*0.1*	6.9
Return of capital distribution	7	–	–	–	(1,718.7)
Balance, end of period		*145.8*	556.8	*143.3*	514.1
Retained earnings					
Balance, beginning of period			1,912.4		766.7
Net income			121.5		1,292.9
Dividends	7		(43.5)		(486.8)
Dividend declared	4,7		(66.8)		–
Common Shares purchased & cancelled under NCIB	7		–		(46.0)
Reclassification of accumulated gain on securities	4		–		22.3
Balance, end of period			1,923.6		1,549.1
Reserves	8				
Balance, beginning of period			273.1		605.3
Other comprehensive income			1.7		41.9
Contributed surplus			2.8		(9.6)
Reclassification of accumulated gain on securities	4		–		(22.3)
Balance, end of period			277.6		615.3
Shareholders' equity			2,758.0		2,678.5

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

1. Basis of Presentation

Paramount Resources Ltd. ("Paramount" or the "Company") is an independent, publicly traded 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 Paramount's wholly-owned MGM Energy and to June 29, 2026, included Fox Drilling Limited Partnership ("Fox Drilling"). On June 30, 2026, the Company closed the sale of all of its interests in Fox Drilling. Refer to Note 3 for additional information. The financial statements of Paramount's subsidiaries and partnerships are prepared for the same reporting periods as the parent in accordance with the Company's accounting policies. Intercompany balances and transactions have been eliminated.

These unaudited interim condensed consolidated financial statements of the Company, as at and for the three and six months ended June 30, 2026 (the "Interim Financial Statements"), were authorized for issuance by the Audit Committee of Paramount's Board of Directors on August 5, 2026.

These Interim Financial Statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* on a basis consistent with the accounting, estimation and valuation policies described in the Company's audited consolidated financial statements as at and for the year ended December 31, 2025 (the "Annual Financial Statements"). Certain comparative figures have been reclassified to conform to the current year's presentation.

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

Adoption of Accounting Standards

Effective January 1, 2026, the Company adopted 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. As a result of the adoption of the amendments to IFRS 9, Paramount no longer deducts the value of outstanding cheques from cash and cash equivalents and accounts payable and accrued liabilities at the end of each reporting period. To December 31, 2025, the value of outstanding cheques was deducted from cash and cash equivalents and accounts payable and accrued liabilities. This change was accounted for prospectively for periods beginning on and after January 1, 2026.

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

The following table summarizes the impact of adopting amendments to IFRS 9 on the Company's balance sheet at January 1, 2026:

As at	December 31, 2025	Effect of change	January 1, 2026
Cash and cash equivalents	730.8	16.3	747.1
Accounts payable and accrued liabilities	173.2	16.3	189.5

Future Changes in Accounting Standards

In April 2024, the International Accounting Standards Board 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 matters 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.

2. Exploration and Evaluation

	Six months ended June 30, 2026	Twelve months ended December 31, 2025
Balance, beginning of period	489.7	427.1
Additions	3.8	47.5
Acquisitions	75.8	85.7
Transfers to property, plant and equipment	(15.4)	(69.6)
Expired lease costs	(0.2)	(0.8)
Reversal of exploration and evaluation asset impairment	–	7.7
Dispositions	(7.0)	(7.9)
Balance, end of period	546.7	489.7

Exploration and Evaluation Expense

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
Geological and geophysical expense	2.2	6.4	3.6	8.2
Expired lease costs	–	0.3	0.2	0.3
	2.2	6.7	3.8	8.5

In March 2026, Paramount sold certain undeveloped heavy oil exploration and evaluation assets in northeast Alberta for cash proceeds of $23.0 million, realizing a $21.6 million gain on sale of oil and gas assets in connection with the transaction.

At June 30, 2026, the Company assessed its exploration and evaluation assets for indicators of potential impairment or impairment reversal and none were identified.

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

3. Property, Plant and Equipment

Six months ended June 30, 2026	Petroleum and natural gas assets	Drilling rigs	Right-of-use assets	Other	Total
Cost					
Balance, beginning of period	3,585.4	182.6	27.8	65.8	3,861.6
Additions	544.0	5.8	1.6	2.3	553.7
Acquisitions	2.9	–	–	–	2.9
Transfers	15.4	–	–	–	15.4
Dispositions	(0.1)	(188.4)	(2.9)	–	(191.4)
Change in asset retirement provision	36.0	–	–	–	36.0
Cost, end of period	4,183.6	–	26.5	68.1	4,278.2
Accumulated depletion and depreciation					
Balance, beginning of period	(1,592.9)	(109.0)	(11.3)	(42.5)	(1,755.7)
Depletion and depreciation	(150.1)	(3.5)	(1.7)	(3.1)	(158.4)
Dispositions	0.1	112.5	2.3	–	114.9
Accumulated depletion and depreciation, end of period	(1,742.9)	–	(10.7)	(45.6)	(1,799.2)
Net book value, December 31, 2025	1,992.5	73.6	16.5	23.3	2,105.9
Net book value, June 30, 2026	2,440.7	–	15.8	22.5	2,479.0

On June 30, 2026, Paramount closed the sale of its wholly-owned Fox Drilling subsidiary (the "Fox Drilling Sale") to AKITA Drilling Ltd. ("AKITA"). Fox Drilling's assets included six triple-sized drilling rigs.

Paramount received aggregate consideration for the Fox Drilling Sale of $68.7 million, which was comprised of approximately 19.3 million common shares of AKITA (the "AKITA Shares"), valued at their trading price of $3.41 per share on the closing date, and $3.0 million cash. The Company recorded an $11.4 million loss on sale of oil and gas assets in connection with the transaction.

On closing of the Fox Drilling Sale, Paramount entered into an agreement with AKITA to utilize the Fox Drilling rigs or equivalent rigs of AKITA for an aggregate of 2,700 days in the three-year period following closing.

The Company closed the sale of its Karr, Wapiti and Zama properties on January 31, 2025 for cash proceeds of $3.243 billion, after adjustments, plus certain Horn River Basin properties of the acquiror (the "Grande Prairie Disposition"). For the six months ended June 30, 2025, the Company recognized a gain on sale of oil and gas assets of $1.594 billion in respect of the Grande Prairie Disposition. $12.0 million of the loss on sale of oil and gas assets recorded in the second quarter of 2025 relates to finalization of adjustments to the purchase price. For additional information concerning the Grande Prairie Disposition, refer to Note 4 of the Annual Financial Statements.

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

Depletion and Depreciation

	Three months ended June 30		Six months ended June 30	
	2026	**2025**	**2026**	**2025**
Depletion and depreciation	**77.7**	59.8	**156.1**	111.1
Change in asset retirement obligations	**0.1**	1.9	**6.6**	3.7
	77.8	61.7	**162.7**	114.8

For the six months ended June 30, 2026, the Company recorded a charge of $6.6 million (June 30, 2025 – $3.7 million) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment. For the six months ended June 30, 2026, the changes mainly resulted from a reduction in the credit-adjusted risk-free rate used to discount obligations from 7.0 percent per annum to 6.5 percent per annum.

At June 30, 2026, the Company assessed its property, plant and equipment assets for indicators of potential impairment and none were identified.

4. Investments in Securities

As at June 30, 2026	Current	Long-term	Total
Level One Securities	66.8	14.2	**81.0**
Level Three Securities	–	127.0	**127.0**
Investments in securities	**66.8**	**141.2**	**208.0**

As at December 31, 2025	Current	Long-term	Total
Level One Securities	–	10.7	10.7
Level Three Securities	–	126.6	126.6
Investments in securities	**–**	**137.3**	**137.3**

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.

Current Level One Securities of $66.8 million at June 30, 2026 consisted of approximately 19.3 million AKITA Shares. These shares were distributed by way of special dividend to holders of Paramount Common Shares on July 16, 2026. Refer to Note 7 for additional information.

Level Three Securities at June 30, 2026 included investments in the shares of Sultran Ltd. and other minor investments in securities. During the six months ended June 30, 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.

For the three and six months ended June 30, 2026, the Company recorded a before tax gain of $0.5 million and $4.6 million, respectively, to other comprehensive income ("OCI") related to changes in the fair value estimates of its investments in securities.

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

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

	Six months ended June 30, 2026	Twelve months ended December 31, 2025
Investments in securities, beginning of period	137.3	563.9
Changes in fair value of Level One Securities	4.6	85.6
Changes in fair value of Level Three Securities	–	35.8
Acquired – cash	0.4	–
Acquired – non-cash	65.7	7.7
Proceeds of disposition (1)	–	(555.7)
Investments in securities, end of period	**208.0**	137.3

(1) Includes cash proceeds of $519.2 million on the sale of the Company's remaining investment in the common shares of NuVista Energy Ltd. (Level One Security) and $33.9 million on the sale of the Company's investment in the common shares of Westbrick Energy Ltd. (Level Three Security).

5. Long-Term Debt

As at	June 30, 2026	December 31, 2025
Revolving Credit Facility	–	–
Term Loan Facility	–	–
Long-Term Debt	–	–

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.

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.

Paramount also has a $250 million secured, non-revolving, non-amortizing, delayed draw term loan facility (the "Term Loan Facility") with Export Development Canada ("EDC"). 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 has a maturity date of December 15, 2030.

Paramount was in compliance with all financial covenants in the Revolving Credit Facility and the Term Loan Facility at June 30, 2026.

The Company had undrawn letters of credit outstanding under the Revolving Credit Facility totaling $5.0 million at June 30, 2026 (December 31, 2025 – $4.8 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, refer to Note 8 of the Annual Financial Statements.

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

Unsecured Letter of Credit Facility

The Company has a $90 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank. Paramount's obligations under the LC Facility are supported by a performance security guarantee from EDC. In April 2026, the term of the performance security guarantee was extended to May 31, 2028. At June 30, 2026, $74.5 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2025 – $33.0 million).

6. Asset Retirement Obligations and Other

As at June 30, 2026	Current	Long-term	Total
Asset retirement obligations	14.5	386.0	**400.5**
Provisions	9.6	9.0	**18.6**
Lease liabilities	3.5	21.2	**24.7**
Asset retirement obligations and other	**27.6**	**416.2**	**443.8**

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**

Asset Retirement Obligations

	Six months ended June 30, 2026	Twelve months ended December 31, 2025
Asset retirement obligations, beginning of period	**374.1**	341.0
Additions	**0.6**	1.1
Acquisitions	**0.1**	11.3
Change in estimates	**18.0**	36.3
Change in discount rate	**23.9**	–
Obligations settled	**(28.1)**	(39.0)
Dispositions	**(0.1)**	(1.8)
Accretion expense	**12.0**	25.2
Asset retirement obligations, end of period	**400.5**	374.1

As at June 30, 2026, estimated undiscounted, uninflated asset retirement obligations were $812.5 million (December 31, 2025 – $792.0 million). Asset retirement obligations have been discounted using a credit-adjusted risk-free rate of 6.5 percent per annum (December 31, 2025 – 7.0 percent per annum) and inflated at a rate of 2.0 percent per annum (December 31, 2025 – 2.0 percent per annum).

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

Provisions

	Six months ended June 30, 2026	Twelve months ended December 31, 2025
Provisions, beginning of period	26.2	–
Additions	–	38.1
Change in estimates	0.7	–
Change in discount rate	0.2	–
Provisions settled	(9.1)	(11.9)
Accretion expense	0.6	–
Provisions, end of period	18.6	26.2

The provision relates to anticipated future costs associated with a release believed to have originated from a Company owned pipeline. The undiscounted, uninflated provision at June 30, 2026 was $21.2 million, which has been discounted at a rate of 6.5 percent per annum over the next nine years.

For additional information concerning provisions, refer to Note 9 of the Annual Financial Statements.

Lease Liabilities

	Six months ended June 30, 2026	Twelve months ended December 31, 2025
Lease liabilities, beginning of period	25.5	28.9
Additions	1.6	0.9
Interest expense	0.8	1.5
Dispositions	(0.5)	–
Obligations settled	(2.7)	(5.8)
Lease liabilities, end of period	24.7	25.5

Paramount has lease liabilities in respect of office space and vehicles, which have been recognized at the discounted value of the remaining fixed lease payments. For the six months ended June 30, 2026, total cash principal payments made in respect of these lease liabilities were $1.9 million (June 30, 2025 – $2.1 million).

For the six months ended June 30, 2026, expenses related to arrangements containing variable operating costs, short-term and low value leases which have not been included in the lease liabilities were $1.4 million (June 30, 2025 – $1.3 million).

7. Share Capital

At June 30, 2026, 145.8 million (December 31, 2025 – 144.2 million) class A common shares of Paramount ("Common Shares") were outstanding, net of 0.1 million (December 31, 2025 – 0.2 million) Common Shares held in trust under the Company's cash bonus and restricted share unit ("CBRSU") plan.

For the six months ended June 30, 2026, the Company paid regular monthly cash dividends totaling $0.30 per Common Share or $43.5 million (June 30, 2025 – $0.40 per Common Share or $58.0 million). On July 31, 2026, the Company paid a cash dividend of $7.3 million, or $0.05 per Common Share. In August 2026, Paramount's Board of Directors declared a cash dividend of $0.05 per Common Share that is payable on August 31, 2026 to shareholders of record on August 17, 2026.

On June 30, 2026, Paramount's Board of Directors declared a special dividend in kind of all 19.3 million of the Company's AKITA Shares to holders of record of Paramount's Common Shares on July 9, 2026. The special dividend was paid on July 16, 2026.

At June 30, 2026, a dividend payable of $66.8 million was recorded (approximately 0.132 of an AKITA common share per Common Share or $0.46 per Common Share) and the Company's investment in AKITA Shares was classified as a current asset.

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.

In July 2026, Paramount implemented a normal course issuer bid (the "2026 NCIB") under which the Company may purchase up to 7.7 million Common Shares for cancellation. The 2026 NCIB will terminate on the earlier of July 7, 2027 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2026 NCIB are purchased. Purchases of Common Shares under the 2026 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 2026 NCIB to date.

Paramount previously implemented a normal course issuer bid in July 2025 (the "2025 NCIB"). No shares were purchased under the 2025 NCIB, which expired on July 7, 2026.

For the six months ended June 30, 2026, Paramount issued 1.1 million Common Shares for total cash consideration of $10.7 million on the exercise of options to acquire Common Shares ("Paramount Options") (June 30, 2025 – 1.2 million Common Shares for total consideration of $9.9 million) (see Note 9). The Company also issued 0.4 million Common Shares having a value of $11.5 million to CBRSU plan participants in the six months ended June 30, 2026.

Net Income Per Common Share – Basic and Diluted

	Three months ended June 30		Six months ended June 30	
	2026	**2025**	**2026**	**2025**
Net income – basic and diluted	**68.3**	4.2	**121.5**	1,292.9
Basic – weighted average Common Shares (millions)	**145.5**	143.2	**145.0**	144.0
Dilutive effect of Paramount Options (millions)	**3.3**	2.5	**3.3**	2.6
Diluted – weighted average Common Shares (millions)	**148.8**	145.7	**148.3**	146.6
Net income per Common Share – basic ($/share)	**0.47**	0.03	**0.84**	8.98
Net income per Common Share – diluted ($/share)	**0.46**	0.03	**0.82**	8.82

Paramount Options are potentially dilutive and are included in the diluted per share calculation when they are dilutive to net income per share.

For the three and six months ended June 30, 2026, 0.6 million Paramount Options were anti-dilutive (three and six months ended June 30, 2025 – 0.5 million and 1.1 million, respectively, were anti-dilutive).

8. Reserves

Six months ended June 30, 2026	Unrealized gains (losses) on cash flow hedges	Unrealized gains on securities	Contributed surplus	Total reserves
Balance, beginning of period	2.4	91.0	179.7	**273.1**
Other comprehensive income (loss), before tax	(3.1)	4.6	–	**1.5**
Deferred tax	0.7	(0.5)	–	**0.2**
Share-based compensation	–	–	9.1	**9.1**
Paramount Options exercised	–	–	(6.3)	**(6.3)**
Balance, end of period	**–**	**95.1**	**182.5**	**277.6**

9. Share-Based Compensation

Paramount Options

	Six months ended June 30, 2026		Twelve months ended December 31, 2025	
	Paramount Options (millions)	**Weighted average exercise price ($/share)**	***Paramount Options (millions)***	**Weighted average exercise price ($/share)**
Balance, beginning of period	***8.7***	**14.57**	*8.2*	20.52
Granted	***0.1***	**28.83**	*4.0*	20.17
Exercised (1)	***(1.1)***	**9.14**	*(2.0)*	7.81
Surrendered for cash payment (2)	**–**	**–**	*(0.9)*	4.62
Reduction in exercise price (3)	**–**	**–**	–	(11.03)
Cancelled or forfeited	***(0.2)***	**14.86**	*(0.6)*	12.86
Balance, end of period	***7.5***	**15.64**	*8.7*	14.57
Options exercisable, end of period	***1.4***	**11.05**	*2.5*	10.02

(1) For Paramount Options exercised during the six months ended June 30, 2026, the weighted average market price of Common Shares on the dates exercised was $28.92 per share (twelve months ended December 31, 2025 – $25.33 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.

Transaction and reorganization costs for the six months ended June 30, 2025 includes $22.0 million in respect of the cash payments made by the Company on the surrender of 0.9 million Paramount Options in connection with the Special Distribution in February 2025.

For additional information concerning Paramount Options, refer to Note 12 of the Annual Financial Statements.

CBRSU Plan – Shares Held in Trust

	Six months ended June 30, 2026		Twelve months ended December 31, 2025	
	Shares (millions)		*Shares (millions)*	
Balance, beginning of period	*0.2*	2.9	*0.4*	11.3
Net change in vested and unvested shares	*(0.1)*	(1.9)	*(0.2)*	(8.4)
Balance, end of period	*0.1*	**1.0**	*0.2*	2.9

During the six months ended June 30, 2026, 0.1 million Common Shares having a cost of $1.9 million were released from the trust to CBRSU plan participants (June 30, 2025 – 1.3 million Common Shares were purchased under the Company's CBRSU plan at a total cost of $20.2 million and 1.4 million Common Shares having a cost of $27.1 million were released from the trust to CBRSU plan participants).

10. Income Tax

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

	Three months ended June 30		Six months ended June 30	
	2026	**2025**	**2026**	**2025**
Income before tax	**84.3**	4.6	**153.8**	1,676.2
Effective statutory income tax rate	**23.0%**	23.0%	**23.0%**	23.0%
Expected income tax expense	**19.4**	1.1	**35.4**	385.5
Effect of:				
Share-based compensation	**2.3**	(0.3)	**2.9**	(0.9)
Transaction and reorganization costs	**–**	–	**–**	5.1
Gain / loss on sale of oil and gas assets	**(4.3)**	0.5	**(4.3)**	(5.6)
Non-deductible items and other	**(1.4)**	(0.9)	**(1.7)**	(0.8)
Income tax expense	**16.0**	0.4	**32.3**	383.3

11. Financial Instruments and Risk Management

Financial Instruments

Financial instruments at June 30, 2026 consist of cash and cash equivalents, accounts receivable, risk management assets and liabilities, investments in securities, accounts payable and accrued liabilities and dividends payable. The carrying values of these financial instruments approximate their fair values.

Risk Management

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

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

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

Changes in the fair value of risk management assets and liabilities for the six months ended June 30, 2026 are as follows:

Six months ended June 30, 2026	**Financial commodity contracts (3)**	**Foreign currency exchange contracts**	**Electricity swaps**	**Total**
Fair value of asset (liability), beginning of period	(9.4)	4.0	3.2	(2.2)
Changes in fair value – gain (loss) (1)	5.4	(9.0)	–	(3.6)
Changes in fair value – OCI	–	–	(5.0)	(5.0)
Risk management contract settlements paid (received) (2)	12.9	(0.2)	1.9	14.6
Fair value of asset (liability), end of period	8.9	(5.2)	0.1	3.8
Risk management asset – current	14.5	–	–	14.5
Risk management asset – long-term	3.0	–	2.2	5.2
Risk management asset, June 30, 2026	17.5	–	2.2	19.7
Risk management (liability) – current	(2.2)	(3.9)	(2.1)	(8.2)
Risk management (liability) – long-term	(6.4)	(1.3)	–	(7.7)
Risk management (liability), June 30, 2026	(8.6)	(5.2)	(2.1)	(15.9)

(1) The aggregate change in fair value of ($3.6) million related to financial commodity contracts and foreign currency exchange contracts is recorded as loss on risk management contracts.
(2) Net payments on risk management contract settlements related to financial commodity contracts and foreign currency exchange contracts totaled $12.7 million. Risk management contract settlements relating to electricity swaps are recorded in operating expense.
(3) Financial commodity contracts include an embedded derivative with a fair value of ($5.0) million.

The Company had the following risk management contracts as at June 30, 2026:

Instruments	**Aggregate notional**	**Average price or rate**	**Remaining term**
Financial Commodity Contracts			
Oil			
NYMEX WTI Swaps (Sale) (1)	7,000 Bbl/d	CAD$109.19/Bbl	July 2026 – December 2026
NYMEX WTI Swaps (Sale) (1)	2,000 Bbl/d	CAD$100.00/Bbl	January 2027 – December 2027
Natural Gas			
Citygate / Malin Basis Swap (2)	10,000 MMBtu/d	Citygate less US$0.97/MMBtu (Sell) Malin (Buy)	July 2026 – October 2028
Foreign Currency Exchange Contracts (3)			
Average Rate Forward (Sale)	US$10 million / month	1.3810 CAD$/US$1.00	July 2026 – December 2026
Average Rate Forward (Sale)	US$10 million / month	1.3680 CAD$/US$1.00	January 2027 – December 2027
Electricity Contracts (4)			
Swaps (Buy)	120 MWh/d	$58.19/MWh	July 2026 – December 2028
Swaps (Buy)	120 MWh/d	$58.79/MWh	July 2026 – December 2029
Swaps (Buy)	120 MWh/d	$61.73/MWh	July 2026 – December 2030

(1) "NYMEX" means New York Mercantile Exchange and "WTI" means West Texas Intermediate.
(2) "Citygate" refers to Pacific Gas & Electric Citygate and "Malin" refers to Pacific Gas & Electric Malin. Pursuant to the swap transaction Paramount sells at Citygate less US$0.97/MMBtu and buys at Malin. The transaction is financially settled with no physical delivery.
(3) Forward rate settled monthly against the average of the CAD$/US$ noon spot rate on each applicable day in that month.
(4) Reference electricity rate: Floating hourly rate established by the Alberta Electric System Operator ("AESO"). "MWh" means megawatt-hour.

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

The Company also has an agreement to deliver 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.

The Company has classified its electricity swaps as cash flow hedges and applied hedge accounting. There were no changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified at June 30, 2026.

Subsequent to June 30, 2026, the Company entered into the following risk management contracts:

Instruments	Aggregate notional	Average price	Term
NYMEX WTI Swaps (Sale) (1)	4,000 Bbl/d	CAD$100.51/Bbl	January 2027 – December 2027

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

12. Revenue By Product

	Three months ended June 30		Six months ended June 30	
	2026	**2025**	**2026**	**2025**
Natural gas	**32.9**	28.9	**78.6**	81.4
Condensate and oil	**205.7**	87.7	**362.8**	268.3
Other natural gas liquids	**19.0**	6.9	**35.6**	21.2
Natural gas transportation assignment income	**2.8**	2.7	**11.4**	10.1
Royalty income and other revenue	**0.3**	1.0	**0.9**	12.8
Royalties	**(14.0)**	(5.7)	**(26.6)**	(32.4)
Sales of commodities purchased	**70.6**	43.7	**134.9**	153.4
	317.3	165.2	**597.6**	514.8

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.

Royalty income and other revenue for the six months ended June 30, 2025 includes $11.1 million related to a second interim payment from insurers for 2023 Alberta wildfire business interruption losses.

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

13. Dividend Income and Other

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
Dividend income	(5.6)	(3.1)	(5.7)	(3.6)
Provisions expense (recovery)	0.2	–	0.4	(0.5)
Other	(0.6)	1.9	(2.3)	0.3
	(6.0)	(1.2)	(7.6)	(3.8)

Dividend income for the three and six months ended June 30, 2026 includes $5.5 million (three and six months ended June 30, 2025 – $3.1 million) received from Sultran Ltd., one of the Company's Level Three Securities.

14. Consolidated Statement of Cash Flows – Selected Information

Items Not Involving Cash

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
Risk management contracts	(11.3)	(18.9)	(9.1)	(26.3)
Share-based compensation	4.7	3.2	12.1	21.7
Depletion and depreciation	77.8	61.7	162.7	114.8
Exploration and evaluation	–	0.3	0.2	0.3
Loss (gain) on sale of oil and gas assets	11.9	15.3	(16.5)	(1,603.8)
Accretion of asset retirement obligations and provisions	6.3	6.0	12.6	13.1
Deferred income tax	16.0	0.4	32.3	383.3
Other	(0.5)	2.2	(0.8)	2.4
	104.9	70.2	193.5	(1,094.5)

Supplemental Cash Flow Information

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
Interest paid	0.4	0.5	0.8	1.6
Interest received	4.2	6.2	9.2	12.0

Components of Cash and Cash Equivalents

As at	June 30, 2026	December 31, 2025
Cash	449.0	730.8
Cash equivalents	–	–
	449.0	730.8

Cash and cash equivalents is comprised of interest-bearing demand deposits with a number of banks. Interest earned on deposits for the three and six months ended June 30, 2026 totaled $3.9 million and $8.8 million, respectively (average interest rate of 2.8 percent per annum for the three and six months ended June 30, 2026).

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

15. Capital Structure

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

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

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

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

iii. maximize shareholder returns considering the risk environment.

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

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

Net (Cash) Debt

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

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

As at	June 30, 2026	December 31, 2025
Cash and cash equivalents	(449.0)	(730.8)
Accounts receivable	(105.1)	(98.4)
Prepaid expenses and other	(24.6)	(16.8)
Investments in securities – current	(66.8)	–
Accounts payable and accrued liabilities	249.6	173.2
Dividend payable	66.8	–
Long-term debt	–	–
Net (cash) debt	(329.1)	(672.8)

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.

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

The calculation of adjusted funds flow is as follows:

	Three months ended June 30		Six months ended June 30	
	2026	**2025**	**2026**	**2025**
Cash from operating activities	**144.4**	39.8	**260.6**	189.7
Change in non-cash working capital	**23.8**	31.6	**17.6**	(17.0)
Geological and geophysical expense	**2.2**	6.4	**3.6**	8.2
Asset retirement obligations settled	**1.5**	3.0	**28.1**	25.2
Provisions settled	**3.7**	–	**9.1**	–
Transaction and reorganization costs	**–**	0.7	**–**	24.3
Closure costs	**–**	–	**–**	–
Settlements	**–**	–	**–**	–
Adjusted funds flow	**175.6**	81.5	**319.0**	230.4

Net Debt to Adjusted Funds Flow Ratio

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

The net debt to adjusted funds flow ratio is calculated as the period end net debt divided by adjusted funds flow for the trailing four quarters. When the Company is not in a net debt position, the ratio of net debt to adjusted funds flow is not considered meaningful.

As at	**June 30, 2026**	**December 31, 2025**
Net (cash) debt	**(329.1)**	(672.8)
Adjusted funds flow, trailing four quarters	**555.9**	467.2
Net debt to adjusted funds flow ratio	**NM** (1)	NM (1)

(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.

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

The calculation of free cash flow is as follows:

	Three months ended June 30		Six months ended June 30	
	2026	2025	2026	2025
Cash from operating activities	144.4	39.8	260.6	189.7
Change in non-cash working capital	23.8	31.6	17.6	(17.0)
Geological and geophysical expense	2.2	6.4	3.6	8.2
Asset retirement obligations settled	1.5	3.0	28.1	25.2
Provisions settled	3.7	–	9.1	–
Transaction and reorganization costs	–	0.7	–	24.3
Closure costs	–	–	–	–
Settlements	–	–	–	–
Adjusted funds flow	175.6	81.5	319.0	230.4
Capital expenditures	(296.7)	(157.6)	(553.5)	(373.3)
Geological and geophysical expense	(2.2)	(6.4)	(3.6)	(8.2)
Asset retirement obligations settled	(1.5)	(3.0)	(28.1)	(25.2)
Provisions settled	(3.7)	–	(9.1)	–
Free cash flow	(128.5)	(85.5)	(275.3)	(176.3)

16. Commitments and Contingencies

Paramount had the following commitments at June 30, 2026:

	Within one year	After one year but not more than five years	More than five years
Petroleum and natural gas transportation and processing commitments	85.0	461.2	607.8
Capital and other commitments	74.7	41.8	–
	159.7	503.0	607.8

Commitments – Physical Contracts

The Company had the following fixed-basis physical contracts at June 30, 2026:

	Volume	Location	Average price	Remaining Term
Natural gas basis swap (1)	38,654 GJ/d	AECO / Dawn	$1.59/GJ	July 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.

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

C. Stange (1) (3) (4)
Independent Businessman
Calgary, Alberta

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

CORPORATE OFFICE

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McDaniel & Associates Consultants Ltd.
Calgary, Alberta

AUDITORS

Ernst & Young LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
("POU")