



**Management's Discussion and Analysis**  
**For the year ended December 31, 2024**

This Management's Discussion and Analysis ("MD&A"), dated March 4, 2025, should be read in conjunction with the audited consolidated financial statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the year ended December 31, 2024 (the "Consolidated Financial Statements"). Financial data included in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and is stated in millions of Canadian dollars, unless otherwise noted. All references to "\$" are to Canadian dollars and all references to "US\$" are to United States dollars. The Company's accounting policies have been applied consistently to all periods presented.

## ABOUT PARAMOUNT

Paramount is an independent, publicly traded, liquids-rich natural gas focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas. Paramount's principal properties are located in Alberta and British Columbia. Paramount commenced operations as a public company in 1978 and has adapted to a multitude of operating and economic climates over the past 45+ years. The Company's class A common shares ("Common Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "POU". Additional information concerning Paramount, including its Annual Information Form, can be found on the SEDAR+ website at [www.sedarplus.ca](http://www.sedarplus.ca).

To December 31, 2024, Paramount's operations were organized into the Grande Prairie Region, the Kaybob Region and the Central Alberta and Other Region.

The Company focused the majority of its Grande Prairie Region development activities on its Karr and Wapiti Montney properties until their sale in January 2025. The Karr and Wapiti properties represented essentially all Grande Prairie Region sales volumes in 2024. Additional information concerning the sale of the Company's Karr and Wapiti properties is included in the "Grande Prairie Disposition and Special Distribution" section of this MD&A.

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

The Central Alberta and Other Region includes the Willesden Green Duvernay development in central Alberta and shale gas properties in the Horn River Basin and the Liard Basin in northeast British Columbia. The Company amalgamated with its wholly-owned subsidiary, Cavalier Energy Inc. ("Cavalier Energy"), on January 1, 2025, which held lands that are prospective for cold flow heavy oil and in-situ thermal oil recovery. Development activities in the Central Alberta and Other Region are currently focused on the Willesden Green Duvernay property.

The Company's assets also include: (i) investments in other publicly traded and private entities; (ii) six triple-sized drilling rigs owned by the Company's wholly-owned Fox Drilling Limited Partnership ("Fox Drilling"); and (iii) strategic investments in exploration and pre-development stage assets, including prospective natural gas and oil acreage in the Mackenzie Delta and Central Mackenzie in the Northwest Territories.

## SPECIFIED FINANCIAL MEASURES, PRODUCT TYPES AND OTHER ADVISORIES

This MD&A includes references to: (i) "netback" and "netback including risk management contract settlements", which are non-GAAP financial measures; (ii) certain non-GAAP ratios; (iii) "adjusted funds flow", "free cash flow", "net (cash) debt" and "net debt to adjusted funds flow", which are capital management measures used by Paramount; and (iv) certain supplementary financial measures. Readers are referred to the "Specified Financial Measures" section of this MD&A for important additional information concerning these measures.

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

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

## FINANCIAL AND OPERATING HIGHLIGHTS

	2024	2023	2022
<b>FINANCIAL</b>			
Petroleum and natural gas sales	1,760.2	1,798.5	2,252.4
Net income	335.9	470.2	680.6
<i>Per share – basic (\$/share)</i>	2.30	3.29	4.83
<i>Per share – diluted (\$/share)</i>	2.25	3.17	4.63
Cash from operating activities	815.3	938.2	1,049.6
<i>Per share – basic (\$/share) <sup>(1)</sup></i>	5.58	6.56	7.45
<i>Per share – diluted (\$/share) <sup>(1)</sup></i>	5.46	6.32	7.14
Adjusted funds flow <sup>(1)</sup>	930.3	965.3	1,171.0
<i>Per share – basic (\$/share)</i>	6.37	6.75	8.32
<i>Per share – diluted (\$/share)</i>	6.24	6.51	7.97
Free cash flow <sup>(1)</sup>	37.3	168.4	471.1
<i>Per share – basic (\$/share)</i>	0.25	1.18	3.35
<i>Per share – diluted (\$/share)</i>	0.25	1.13	3.20
Total assets	4,757.5	4,388.7	4,337.3
Investments in securities	563.9	540.9	557.1
Long-term debt	173.0	–	159.4
Net (cash) debt <sup>(1)</sup>	188.4	59.6	161.2
Total liabilities	1,062.2	889.5	959.2
Common shares outstanding (millions) <sup>(2)</sup>	146.9	144.2	142.0
Dividends declared and paid (\$/share)	1.70	2.50	1.13
<b>OPERATING</b>			
<b>Sales volumes</b>			
Natural gas (MMcf/d)	306.8	315.1	294.7
Condensate and oil (Bbl/d)	40,432	37,657	33,908
Other NGLs (Bbl/d)	6,920	6,226	5,650
<b>Total (Boe/d)</b>	<b>98,490</b>	<b>96,393</b>	<b>88,672</b>
<i>% Liquids</i>	<i>48%</i>	<i>46%</i>	<i>45%</i>
<b>Realized prices <sup>(1)</sup></b>			
Natural gas (\$/Mcf)	1.99	3.04	6.24
Condensate and oil (\$/Bbl)	96.96	99.25	117.07
Other NGLs (\$/Bbl)	35.37	36.06	55.37
Petroleum and natural gas sales (\$/Boe)	48.83	51.12	69.60
Capital expenditures	842.2	732.1	655.0

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

(2) Common shares are presented net of shares held in trust under the Company's restricted share unit plan (Common Shares): 2024: 0.4 million; 2023: 0.4 million; 2022: 0.8 million.

## GRANDE PRAIRIE DISPOSITION AND SPECIAL DISTRIBUTION

On January 31, 2025, Paramount closed the sale of its Karr, Wapiti and Zama properties (the "Assets") to a wholly-owned subsidiary of Ovintiv Inc. ("Ovintiv") in exchange for approximately \$3.3 billion in cash, after adjustments, plus certain Horn River Basin properties of Ovintiv (the "Grande Prairie Disposition"). Ovintiv assumed Paramount's processing and transportation commitments related to the Assets. These properties had average sales volumes of approximately 71,000 Boe/d (214 MMcf/d of shale gas and 35,300 Bbl/d of NGLs) and a netback of approximately \$175 million in the fourth quarter of 2024.<sup>(1)</sup> The Grande Prairie Disposition was made pursuant to a purchase and sale agreement dated November 13, 2024, and as a result, the assets and liabilities associated with the Grande Prairie Disposition have been presented as held for sale at December 31, 2024 in the Consolidated Financial Statements.

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) on February 14, 2025 (the "Special Distribution"), comprised of a \$12.00 return of capital (totaling \$1,718 million) and a \$3.00 special dividend (totaling \$430 million).

Concurrently with the completion of the Grande Prairie Disposition, the capacity of the Company's financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility") was amended to \$500 million and the maturity date was extended to January 31, 2029. At February 28, 2025, the Company had approximately \$830 million in cash and cash equivalents, investments in securities valued at approximately \$470 million and no drawings under the Paramount Facility. Additional information concerning the Paramount Facility is included in the "Liquidity and Capital Resources" section of this MD&A.

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

## 2024 OVERVIEW

The Company achieved record annual sales volumes of 98,490 Boe/d (48% liquids) in 2024 and record quarterly sales volumes of 102,477 Boe/d (48% liquids) in the fourth quarter of 2024, in-line with updated guidance.

Sales volumes excluding Karr and Wapiti were 31,178 Boe/d (44% liquids) in 2024 and 31,425 Boe/d (45% liquids) in the fourth quarter of 2024. Duvernay production accounted for approximately 15,000 Boe/d (64% liquids) of these sales volumes in 2024.

Cash from operating activities was \$815.3 million (\$5.58 per basic share) in 2024 compared to \$938.2 million (\$6.56 per basic share) in 2023. Adjusted funds flow was \$930.3 million (\$6.37 per basic share) compared to \$965.3 million (\$6.75 per basic share) in 2023. Free cash flow was \$37.3 million (\$0.25 per basic share), higher than updated guidance of approximately \$10 million. <sup>(1)</sup>

Capital expenditures were \$842.2 million in 2024, in-line with updated guidance. Capital expenditures were largely directed to the Grande Prairie Region Montney development and the Willesden Green and Kaybob North Duvernay developments.

Asset retirement obligations settled were \$38.1 million in 2024 compared to \$54.6 million in 2023. Activities in 2024 included the abandonment of 44 wells and reclamation of 119 sites.

In February 2024, Paramount sold certain non-core Kaybob assets for \$45.4 million cash and the retention of a two percent no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets (the "2024 Kaybob Disposition").

In April 2024, the Company sold 6.0 million shares of its investment in NuVista Energy Ltd. ("NuVista Shares") for net cash proceeds of \$74.8 million. The carrying value of the Company's investments in securities was \$563.9 million at December 31, 2024 compared to \$540.9 million at December 31, 2023. Paramount received total cash dividends of \$12.3 million in 2024 from its investments in securities.

Paramount paid total cash dividends of \$1.70 per Common Share or \$248.2 million in 2024. The Company increased its regular monthly dividend by 20 percent from \$0.125 to \$0.15 per Common Share in May 2024.

The Company purchased and cancelled 722,300 Common Shares at a total cost of \$22.3 million to December 31, 2024 under its normal course issuer bid that was implemented in July 2024 (the "2024 NCIB").

Net debt was \$188.4 million at December 31, 2024 compared to \$59.6 million at December 31, 2023. The Company's net debt to adjusted funds flow ratio at December 31, 2024 was 0.2x. <sup>(1)</sup>

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

## 2025 GUIDANCE

As previously announced, the Company is budgeting capital expenditures in 2025 of between \$760 million and \$790 million, focused mainly on its Willesden Green Duvernay and Kaybob North Duvernay developments. Capital has also been allocated to ongoing appraisal activities at Paramount's early-stage assets, including Sinclair.

As previously announced, 2025 average sales volumes are expected to be between 37,500 Boe/d and 42,500 Boe/d (48% liquids), with a 2025 year-end exit rate in excess of 45,000 Boe/d. Revised estimated January 2025 sales volumes, which included production from the assets sold pursuant to the Grande Prairie Disposition, averaged approximately 101,500 Boe/d (47% liquids). Sales volumes are anticipated to average between 28,000 Boe/d and 32,000 Boe/d in February to September, with new well activity essentially offsetting declines. With the start-up of the first phase of the new Alhambra Plant at Willesden Green, fourth quarter sales volumes are anticipated to average between 40,000 Boe/d and 45,000 Boe/d.

## CONSOLIDATED RESULTS

### Net Income

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

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

Paramount recorded net income of \$470.2 million for the year ended December 31, 2023 compared to \$680.6 million for the year ended December 31, 2022. Significant factors contributing to the change are shown below:

Year ended December 31	
Net income – 2022	680.6
<ul style="list-style-type: none"> <li>• Lower netback in 2023 mainly due to lower commodity prices</li> <li>• Higher depletion and depreciation expense in 2023</li> <li>• Provisions expense in 2023 compared to a \$21.9 million recovery in 2022</li> <li>• Gain on risk management contracts in 2023 compared to a loss in 2022</li> <li>• Higher gain on sale of oil and gas assets in 2023</li> <li>• Lower income tax expense in 2023</li> <li>• Lower exploration and evaluation expense in 2023</li> <li>• Other</li> </ul>	(430.4) (115.9) (24.4) 235.8 60.7 55.7 17.1 (9.0)
Net income – 2023	<b>470.2</b>

## Cash From Operating Activities

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

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

Cash from operating activities for the year ended December 31, 2023 was \$938.2 million compared to \$1,049.6 million for the year ended December 31, 2022. Significant factors contributing to the change are shown below:

Year ended December 31	
<b>Cash from operating activities – 2022</b>	<b>1,049.6</b>
• Lower netback in 2023 mainly due to lower commodity prices	(430.4)
• Provisions expense in 2023 compared to a \$21.9 million recovery in 2022	(24.4)
• Higher asset retirement obligations settled in 2023	(18.5)
• Receipts on risk management contract settlements in 2023 compared to payments in 2022	225.7
• Change in non-cash working capital	138.6
• Other	(2.4)
<b>Cash from operating activities – 2023</b>	<b>938.2</b>

## 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:

Year ended December 31	2024	2023	2022
<b>Cash from operating activities</b>	<b>815.3</b>	938.2	1,049.6
Change in non-cash working capital <sup>(1)</sup>	64.7	(40.2)	98.4
Geological and geophysical expense <sup>(2)</sup>	12.7	10.2	8.8
Asset retirement obligations settled <sup>(1)</sup>	38.1	54.6	36.1
Provisions <sup>(3)</sup>	(0.5)	2.5	(21.9)
<b>Adjusted funds flow <sup>(4)</sup></b>	<b>930.3</b>	965.3	1,171.0
<b>Adjusted funds flow (\$/Boe) <sup>(5)</sup></b>	<b>25.80</b>	27.43	36.18

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

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

(3) Refer to Note 16 in the Consolidated Financial Statements.

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

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

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

Year ended December 31	
<b>Adjusted funds flow – 2023</b>	<b>965.3</b>
• Lower netback in 2024 mainly due to lower commodity prices, partially offset by higher liquids sales volumes and a \$10.0 million interim payment from insurers for 2023 Alberta wildfire losses	(27.7)
• Lower receipts on risk management contract settlements in 2024	(10.3)
• Other	3.0
<b>Adjusted funds flow – 2024</b>	<b>930.3</b>

Adjusted funds flow for the year ended December 31, 2023 was \$965.3 million compared to \$1,171.0 million for the year ended December 31, 2022. Significant factors contributing to the change are shown below:

Year ended December 31	
<b>Adjusted funds flow – 2022</b>	<b>1,171.0</b>
• Lower netback in 2023 mainly due to lower commodity prices	(430.4)
• Receipts on risk management contract settlements in 2023 compared to payments in 2022	225.7
• Other	(1.0)
<b>Adjusted funds flow – 2023</b>	<b>965.3</b>

## 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:

Year ended December 31	2024	2023	2022
<b>Cash from operating activities</b>	<b>815.3</b>	938.2	1,049.6
Change in non-cash working capital <sup>(1)</sup>	64.7	(40.2)	98.4
Geological and geophysical expense <sup>(2)</sup>	12.7	10.2	8.8
Asset retirement obligations settled <sup>(1)</sup>	38.1	54.6	36.1
Provisions <sup>(3)</sup>	(0.5)	2.5	(21.9)
<b>Adjusted funds flow</b>	<b>930.3</b>	965.3	1,171.0
Capital expenditures <sup>(1)</sup>	(842.2)	(732.1)	(655.0)
Geological and geophysical expense <sup>(2)</sup>	(12.7)	(10.2)	(8.8)
Asset retirement obligations settled <sup>(1)</sup>	(38.1)	(54.6)	(36.1)
<b>Free cash flow <sup>(4)</sup></b>	<b>37.3</b>	168.4	471.1

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

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

(3) Refer to Note 16 in the Consolidated Financial Statements.

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

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

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

Free cash flow for the year ended December 31, 2023 was \$168.4 million compared to \$471.1 million for the year ended December 31, 2022. Significant factors contributing to the change are shown below:

Year ended December 31	
Free cash flow – 2022	471.1
<ul style="list-style-type: none"> <li>Lower adjusted funds flow (described in "Adjusted Funds Flow" section above)</li> <li>Higher capital expenditures in 2023</li> <li>Higher asset retirement obligations settled in 2023</li> <li>Higher geological and geophysical expense in 2023</li> </ul>	(205.7) (77.1) (18.5) (1.4)
Free cash flow – 2023	168.4

## OPERATING RESULTS

### Netback

Year ended December 31	2024		2023	
		(\$/Boe) <sup>(1)(2)</sup>		(\$/Boe) <sup>(1)(2)</sup>
Natural gas revenue <sup>(3)</sup>	223.3	1.99	349.1	3.04
Condensate and oil revenue <sup>(3)</sup>	1,434.9	96.96	1,364.2	99.25
Other NGLs revenue <sup>(3)</sup>	89.6	35.37	81.9	36.06
Royalty income and other revenue <sup>(3)</sup>	12.4	–	3.3	–
<b>Petroleum and natural gas sales <sup>(4)</sup></b>	<b>1,760.2</b>	<b>48.83</b>	<b>1,798.5</b>	<b>51.12</b>
Royalties <sup>(4)</sup>	(222.8)	(6.18)	(254.3)	(7.23)
Operating expense <sup>(4)</sup>	(473.9)	(13.15)	(453.6)	(12.90)
Transportation and NGLs processing <sup>(4)</sup>	(135.6)	(3.76)	(134.4)	(3.82)
Sales of commodities purchased <sup>(4)</sup>	317.3	8.80	255.1	7.25
Commodities purchased <sup>(4)</sup>	(312.0)	(8.65)	(250.2)	(7.11)
<b>Netback <sup>(5)</sup></b>	<b>933.2</b>	<b>25.89</b>	<b>960.9</b>	<b>27.31</b>
Risk management contract settlements <sup>(6)</sup>	36.4	1.01	46.7	1.33
<b>Netback including risk management contract settlements <sup>(7)</sup></b>	<b>969.6</b>	<b>26.90</b>	<b>1,007.6</b>	<b>28.64</b>

(1) Natural gas revenue shown per Mcf.

(2) When presented on a \$/Boe or \$/Mcf basis, each of the components of Netback is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

(3) Refer to Note 15 in the Consolidated Financial Statements. Royalty income and other revenue for the year ended December 31, 2024 includes \$10.0 million related to an interim payment from insurers for 2023 Alberta wildfire losses.

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

(5) Netback is a non-GAAP financial measure. Netback presented on a \$/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

(6) Refer to Note 14 in the Consolidated Financial Statements.

(7) Netback including risk management contract settlements is a non-GAAP financial measure. Netback including risk management contract settlements presented on a \$/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

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

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

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

Royalty income and other revenue for the year ended December 31, 2024 includes \$10.0 million related to an interim payment from insurers for 2023 Alberta wildfire losses. This amount was not allocated to individual Regions or properties. The Company continues to advance its insurance claims process for these losses.

Petroleum and natural gas sales totaled \$1,798.5 million for the year ended December 31, 2023, a decrease of \$453.9 million from the prior year, mainly due to a 27 percent decrease in average realized petroleum and natural gas sales prices per Boe in 2023 compared to 2022. The effects of lower realized petroleum and natural gas sales prices per Boe were partially offset by a nine percent increase in sales volumes in 2023 compared to 2022.

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

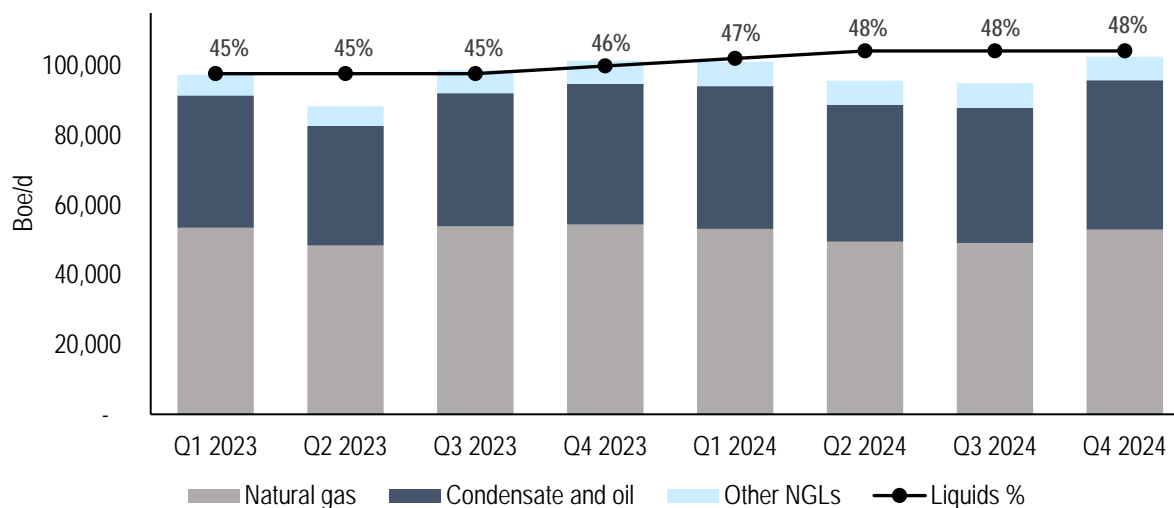
	Natural gas	Condensate and oil	Other NGLs	Royalty income and other revenue	Total
Year ended December 31, 2022	671.1	1,448.9	114.2	18.2	2,252.4
Effect of changes in prices	(368.4)	(245.0)	(43.9)	–	(657.3)
Effect of changes in sales volumes	46.4	160.3	11.6	–	218.3
Change in royalty income and other revenue	–	–	–	(14.9)	(14.9)
<b>Year ended December 31, 2023</b>	<b>349.1</b>	<b>1,364.2</b>	<b>81.9</b>	<b>3.3</b>	<b>1,798.5</b>

Royalty income and other revenue for the year ended December 31, 2022 includes \$11.9 million in business interruption insurance proceeds related to losses in 2020 and 2021.

## Sales Volumes

	Year ended December 31											
	Natural gas (MMcf/d) <sup>(1)</sup>			Condensate and oil (Bbl/d) <sup>(1)</sup>			Other NGLs (Bbl/d) <sup>(1)</sup>			Total (Boe/d) <sup>(1)</sup>		
	2024	2023	Chg	2024	2023	Chg	2024	2023	Chg	2024	2023	Chg
Grande Prairie	201.7	209.7	(4%)	29,448	31,585	(7%)	4,306	4,414	(2%)	67,363	70,943	(5%)
Kaybob	79.1	72.8	9%	7,734	4,253	82%	1,490	1,070	39%	22,404	17,449	28%
Central Alberta and Other	26.0	32.6	(20%)	3,250	1,819	79%	1,124	742	51%	8,723	8,001	9%
<b>Total</b>	<b>306.8</b>	<b>315.1</b>	<b>(3%)</b>	<b>40,432</b>	<b>37,657</b>	<b>7%</b>	<b>6,920</b>	<b>6,226</b>	<b>11%</b>	<b>98,490</b>	<b>96,393</b>	<b>2%</b>

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



Total Company sales volumes averaged 98,490 Boe/d (48% liquids) for the year ended December 31, 2024, a new annual record for Paramount, compared to 96,393 Boe/d (46% liquids) in the same period in 2023. Sales volumes in 2023 were impacted by an estimated 3,300 Boe/d related to the Alberta wildfires.

Grande Prairie Region sales volumes averaged 67,363 Boe/d (50% liquids) for the year ended December 31, 2024 and were impacted by an estimated 7,400 Boe/d of downtime related to outages and curtailments associated with third-party midstream facilities. Cold weather and other operational challenges also significantly affected production from a number of wells in the first quarter of 2024. A total of 35 (35.0 net) new Montney wells were brought onstream in the region in 2024. In addition, Paramount completed an aggressive well optimization program in the region in 2024 aimed at increasing production from shut-in wells and wells that would benefit from intervention (the "Grande Prairie Region Well Optimization Program"). Grande Prairie Region sales volumes in 2023 averaged 70,943 Boe/d (51% liquids) and were impacted by approximately 5,800 Boe/d due to downtime associated with third-party midstream facilities and an estimated 1,500 Boe/d from the Alberta wildfires.

Kaybob Region sales volumes averaged 22,404 Boe/d (41% liquids) for the year ended December 31, 2024 compared to 17,449 Boe/d (31% liquids) in 2023. The Company brought onstream a total of 17 (17.0 net) new Duvernay wells in the Kaybob Region in 2024, increasing both sales volumes and liquids contribution. Kaybob Region sales volumes in 2023 were impacted by an estimated 1,800 Boe/d from the Alberta wildfires.

Sales volumes in the Central Alberta and Other Region averaged 8,723 Boe/d (50% liquids) for the year ended December 31, 2024 compared to 8,001 Boe/d (32% liquids) in 2023. The Company brought onstream a total of five (5.0 net) new Duvernay wells in the Central Alberta and Other Region in 2024, increasing both sales volumes and liquids contribution. The increase was partially offset by the shut-in of approximately 2,800 Boe/d of dry gas production in the second quarter of 2024.

## Commodity Prices

Year Ended December 31	2024	2023	% Change
<b>Natural Gas <sup>(1)</sup></b>			
Paramount realized natural gas price (\$/Mcf)	1.99	3.04	(35)
AECO daily spot (\$/GJ)	1.38	2.50	(45)
AECO monthly index (\$/GJ)	1.37	2.78	(51)
Dawn (\$/MMBtu)	2.66	3.19	(17)
NYMEX (US\$/MMBtu)	2.41	2.66	(9)
Malin daily index (US\$/MMBtu)	2.19	4.69	(53)
<b>Condensate and Oil <sup>(1)</sup></b>			
Paramount realized condensate & oil price (\$/Bbl)	96.96	99.25	(2)
Edmonton light sweet crude oil (\$/Bbl)	98.13	99.87	(2)
Edmonton condensate (\$/Bbl)	100.64	102.80	(2)
West Texas Intermediate crude oil (US\$/Bbl)	75.73	77.63	(2)
<b>Other NGLs <sup>(1)</sup></b>			
Paramount realized Other NGLs price (\$/Bbl)	35.37	36.06	(2)
Conway – propane (\$/Bbl)	42.65	39.10	9
Belvieu – butane (\$/Bbl)	56.93	51.83	10
<b>Foreign Exchange</b>			
\$ / 1 \$US	1.37	1.35	1

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

Paramount's current natural gas portfolio primarily consists of sales priced at Alberta, California, Oregon and Eastern Canada markets, which are sold in a combination of daily, monthly, seasonal and fixed-differential physical contracts. In 2024, 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 3,300 GJ/d of natural gas at Emerson. The Company's natural gas sales portfolio in 2023 included arrangements to sell approximately 60,000 GJ/d of natural gas at Dawn, approximately 33,300 GJ/d of natural gas priced at the U.S. Midwest and approximately 22,000 GJ/d of natural gas at Malin. With the natural gas market diversification contracts currently in place, approximately 70 percent of the Company's natural gas sales volumes following the closing of the Grande Prairie Disposition will benefit from exposure to markets outside of AECO.

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

NGLs (consisting of propane, butane and condensate resulting 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.

The Company had the following fixed-price and basis differential physical contracts at December 31, 2024:

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

## 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: <sup>(1)</sup>

Year ended December 31	2024	2023
Fair value, beginning of year	–	11.8
Changes in fair value	49.3	48.0
Settlements (received) paid	(45.5)	(59.8)
<b>Fair value, end of year</b>	<b>3.8</b>	<b>–</b>

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

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

In the fourth quarter of 2023, Paramount terminated and closed out all 15,000 Bbl/d of its NYMEX WTI swaps (CAD \$109.68/Bbl, January 2024 to December 2024) for aggregate cash proceeds of \$45.4 million.

Paramount had the following financial commodity contracts at December 31, 2024:

Instruments	Aggregate notional	Average price	Remaining term
<i>Oil</i>			
NYMEX WTI Swaps (Sale) <sup>(1)</sup>	5,000 Bbl/d	\$105.00/Bbl	January 2025 – December 2025
<i>Natural Gas</i>			
Citygate / Malin Basis Swap <sup>(2)</sup>	10,000 MMBtu/d	Citygate less US\$1.03/MMBtu (Sell) Malin (Buy)	January 2025 – October 2027

(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\$1.03/MMBtu and buys at Malin. The transaction is financially settled with no physical delivery.

Subsequent to December 31, 2024, Paramount entered into the following additional financial commodity contracts:

Instruments	Aggregate notional	Average price	Term
NYMEX WTI Swaps (Sale) <sup>(1)</sup>	5,000 Bbl/d	\$105.00/Bbl	January 2025 – December 2025

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

For further details on the Company's financial commodity contracts, refer to Note 14 in the Consolidated Financial Statements.

### Foreign Currency Exchange Contracts

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

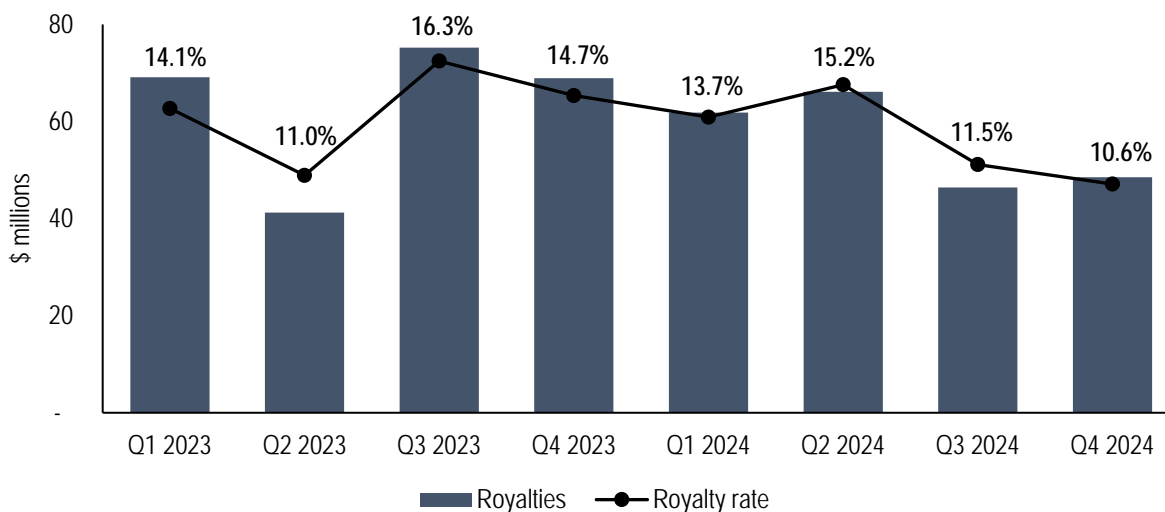
Year ended December 31	2024	2023
Fair value, beginning of year	8.4	(9.8)
Changes in fair value	(17.5)	5.1
Settlements paid (received)	9.1	13.1
<b>Fair value, end of year</b>	<b>-</b>	<b>8.4</b>

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

### Royalties

Year ended December 31	2024	Rate	2023	Rate
Royalties	222.8	12.7%	254.3	14.2%
<i>\$/Boe<sup>(1)</sup></i>	<i>6.18</i>		<i>7.23</i>	

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

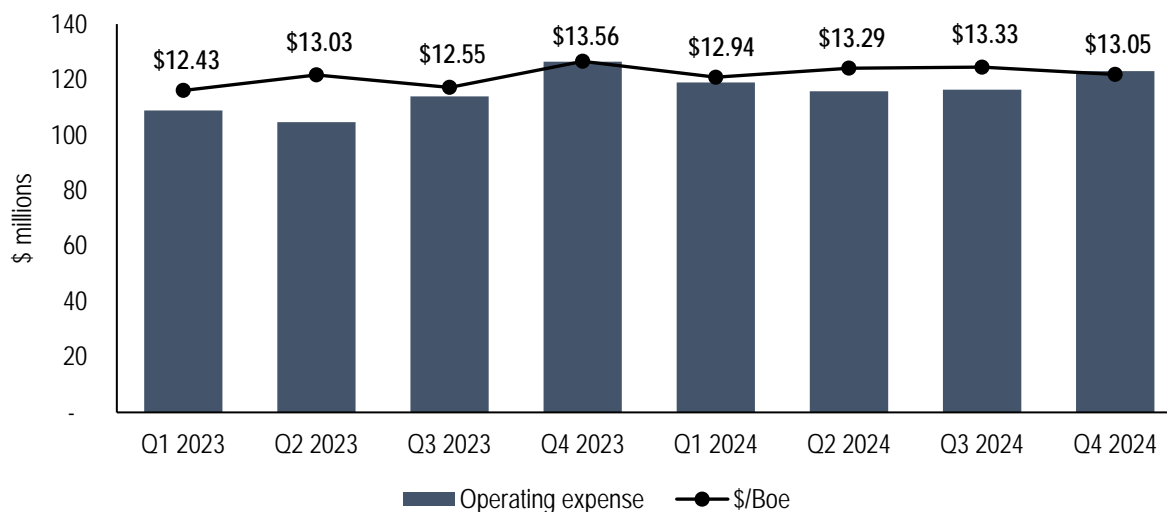


Royalties were \$222.8 million for the year ended December 31, 2024 compared to \$254.3 million in the same period in 2023. Royalties decreased in 2024 mainly as a result of lower royalty rates and lower petroleum and natural gas sales. Royalty rates decreased in 2024 mainly due to a greater proportion of wells on incentives and lower commodity prices. In addition, royalties and royalty rates decreased in 2024 due to higher gas cost allowance.

## Operating Expense

Year ended December 31	2024	2023	% Change
Operating expense	473.9	453.8	4
<i>\$/Boe<sup>(1)</sup></i>	13.15	12.90	2

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



Operating expenses were \$473.9 million for the year ended December 31, 2024, four percent higher than in 2023, mainly due to increased workover and maintenance activities, including from the Grande Prairie Region Well Optimization Program. These increases were partially offset by lower processing fees on lower sales volumes processed through third-party facilities and the impact of the 2024 Kaybob Disposition.

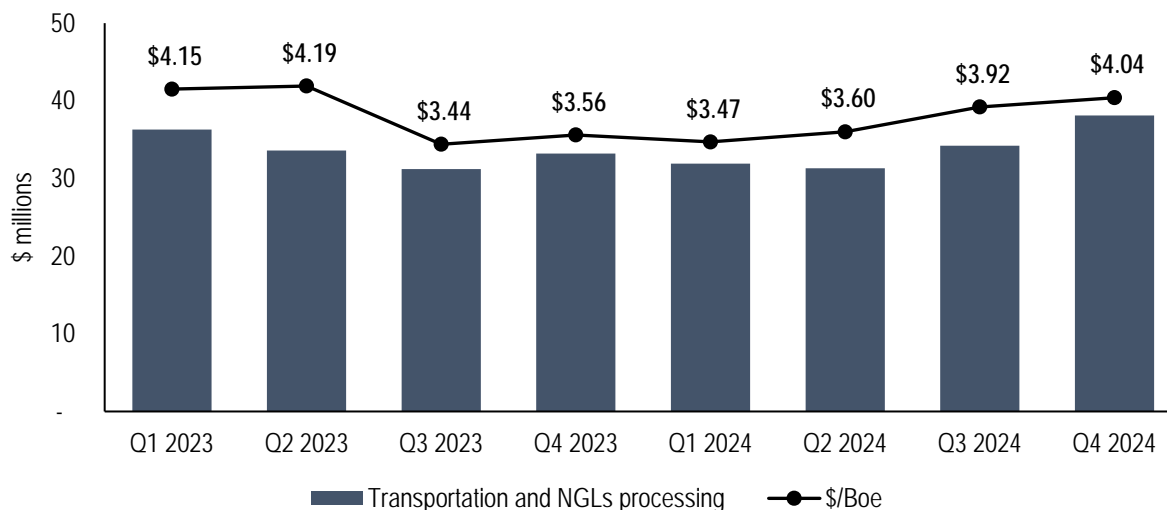
Operating expenses in the Grande Prairie Region were \$335.4 million or \$13.60/Boe in 2024 compared to \$297.8 million or \$11.50/Boe in 2023. Grande Prairie Region operating expenses were higher in 2024 mainly as a result of increased workover and maintenance activities, including from the Grande Prairie Region Well Optimization Program. Per unit operating expenses in the Grande Prairie Region were higher as a result of both higher costs and lower sales volumes.

Total Company operating expenses were \$13.15/Boe for the year ended December 31, 2024 compared to \$12.90/Boe in 2023, mainly due to increased workover and maintenance activities, including from the Grande Prairie Region Well Optimization Program, partially offset by higher sales volumes and lower third-party processing fees.

## Transportation and NGLs Processing

Year ended December 31	2024	2023	% Change
Transportation and NGLs processing	135.6	134.4	1
<i>\$/Boe<sup>(1)</sup></i>	3.76	3.82	(2)

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



Transportation and NGLs processing expense for the year ended December 31, 2024 was \$135.6 million or \$3.76/Boe compared to \$134.4 million or \$3.82/Boe in the same period in 2023. The impact of higher sales volumes and higher contracted transportation capacity in 2024 was mostly offset by short-term optimization activities undertaken by the Company with respect to its transportation portfolio.

## Sales of Commodities Purchased and Commodities Purchased

Year ended December 31	2024	2023	% Change
Sales of commodities purchased	317.3	255.1	24
Commodities purchased	(312.0)	(250.2)	25

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 expenses items in the consolidated statements of comprehensive income in the Consolidated Financial Statements.

## Other Items

Year ended December 31	2024	2023
Depletion and depreciation	415.3	382.0
Change in asset retirement obligations	14.6	19.9
Exploration and evaluation expense	27.3	13.5
Gain on sale of oil and gas assets	(15.6)	(126.3)
Accretion of asset retirement obligations	42.4	43.2

Depletion and depreciation expense was \$415.3 million in 2024 compared to \$382.0 million in 2023. The increase in 2024 was mainly attributable to higher sales volumes and higher depletion rates per Boe. No depletion and depreciation expense was recorded for the Assets subject to the Grande Prairie Disposition while classified as held for sale.

For the year ended December 31, 2024, the Company recorded a charge of \$14.6 million (2023 – \$19.9 million) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment. In 2024, the changes mainly resulted from a reduction in the credit-adjusted risk-free rate used to discount obligations from 7.75 percent per annum to 7.0 percent per annum (2023 – reduction in the credit-adjusted risk-free rate from 8.5 percent per annum to 7.75 percent per annum).

Exploration and evaluation expense was \$27.3 million for the year ended December 31, 2024 compared to \$13.5 million in 2023. The increase in 2024 was primarily due to higher expenses related to expired mineral leases.

The 2024 Kaybob Disposition closed in February 2024. The Company received cash proceeds of \$45.4 million on the sale, resulting in a \$14.3 million gain on sale of oil and gas assets in 2024. The properties sold had average sales volumes of approximately 850 Boe/d (56% liquids) in the fourth quarter of 2023, the last full quarter prior to sale.

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

Accretion of asset retirement obligations was \$42.4 million for the year ended December 31, 2024, relatively consistent compared to \$43.2 million for the same period in 2023.

## ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations settled for the year ended December 31, 2024 totaled \$38.1 million. Activities in 2024 included the abandonment of 44 wells and the reclamation of 119 sites.

The Company's discounted asset retirement obligations at December 31, 2024, excluding liabilities associated with assets held for sale, were \$341.0 million (discounted at 7.0 percent per annum and using an inflation rate of 2.0 percent per annum). For further details concerning the Company's asset retirement obligations, refer to Note 9 in the Consolidated Financial Statements.

## OTHER ASSETS

### Investments in Securities

As at December 31	2024	2023
Level One Securities	439.2	422.0
Level Three Securities	124.7	118.9
	563.9	540.9

Paramount holds investments in a number of publicly-traded and private entities as part of its portfolio of investments. Investments in securities that are listed on a public stock exchange are classified as level one fair value hierarchy securities ("Level One Securities") and carried at their period-end trading prices. Investments in securities that are not listed on a public stock exchange are classified as level three fair value hierarchy securities ("Level Three Securities"). Estimates of fair values for these investments are based on valuation techniques that incorporate unobservable inputs. These valuation techniques utilize market-based metrics of comparable companies and transactions, indicators of value based on equity transactions of the entities and other indicators of value including financial and operating results of the entities. Fair value estimates of Level Three Securities are updated at each balance sheet date to confirm whether the carrying value of the investment continues to fall within a range of possible fair values indicated by such techniques.

Level One Securities at December 31, 2024 included 31.3 million NuVista Shares (December 31, 2023 – 37.3 million NuVista Shares), which had a carrying value of \$431.9 million (December 31, 2023 – \$411.3 million).

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

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

The Company recorded a before tax gain of \$100.9 million to other comprehensive income ("OCI") for the year ended December 31, 2024 (2023 – a loss of \$17.1 million) related to changes in the fair values of investments in securities.

In February 2025, Paramount sold all of its shares in Westbrick Energy Ltd., a Level Three Security, for cash consideration of \$33.9 million. The carrying value of these shares was \$33.2 million at December 31, 2024.

For additional details concerning the Company's investments in securities, refer to Note 7 in the Consolidated Financial Statements.

### Fox Drilling

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

## Other Strategic Investments

Paramount's other land holdings include 170,000 net acres of undeveloped land in the Mackenzie Delta and Central Mackenzie in the Northwest Territories prospective for natural gas and oil production.

## CORPORATE

Year ended December 31	2024	2023
General and administrative	48.2	49.4
Share-based compensation	43.5	33.4
Interest and financing	7.8	6.5
Deferred income tax expense	60.9	129.5
Other	(15.3)	(7.3)

General and administrative expense was \$48.2 million for the year ended December 31, 2024, comparable to \$49.4 million in 2023.

Share-based compensation expense was \$43.5 million for the year ended December 31, 2024, compared to \$33.4 million in 2023. The increase was mainly due to higher grants under the Company's restricted share unit program.

Interest and financing expense was \$7.8 million for the year ended December 31, 2024 compared to \$6.5 million in 2023.

Deferred income tax expense was \$60.9 million for the year ended December 31, 2024 compared to \$129.5 million in 2023. The Company does not anticipate cash tax to arise on the Grande Prairie Disposition. After giving pro forma effect to the Grande Prairie Disposition, Paramount estimates its December 31, 2024 tax pools would be approximately \$0.9 billion, the majority of which would be immediately deductible.

Other for the year ended December 31, 2024 was mainly related to dividend income of \$12.3 million (2023 – \$8.4 million) from the Company's investments in securities.

## CAPITAL EXPENDITURES AND LAND AND PROPERTY ACQUISITIONS

### Capital Expenditures

Year ended December 31	2024	2023
Drilling, completion, equipping and tie-ins	631.8	558.5
Facilities and gathering	210.3	142.6
Drilling rigs	8.4	18.8
Corporate	(8.3)	12.2
<b>Capital expenditures</b>	<b>842.2</b>	<b>732.1</b>
Grande Prairie Region	431.0	380.3
Kaybob Region	172.6	190.4
Central Alberta and Other Region	238.1	120.0
Fox Drilling and Cavalier Energy	8.8	29.2
Corporate <sup>(1)</sup>	(8.3)	12.2
<b>Capital expenditures</b>	<b>842.2</b>	<b>732.1</b>

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

### Land and Property Acquisitions

Year ended December 31	2024	2023
<b>Land and property acquisitions</b>	<b>14.3</b>	<b>79.2</b>

Capital expenditures totaled \$842.2 million for the year ended December 31, 2024 compared to \$732.1 million in 2023. Significant capital program activities in 2024 included the following:

- In the Grande Prairie Region, the Company drilled 34 (34.0 net) Montney wells and completed and brought onstream 35 (35.0 net) Montney wells. A new compressor node in the western portion of the Wapiti area was commissioned and brought onstream in the third quarter of 2024.
- In the Kaybob Region, the Company drilled 14 (14.0 net) Duvernay wells and completed and brought onstream 17 (17.0 net) Duvernay wells.
- In the Central Alberta and Other Region, the construction of the Alhambra Plant at Willesden Green continued. The Company also drilled 10 (10.0 net) Duvernay wells, completed three (3.0 net) Duvernay wells and brought onstream five (5.0 net) Duvernay wells at Willesden Green.

Land and property acquisitions totaled \$14.3 million in 2024 compared to \$79.2 million in 2023.

## LIQUIDITY AND CAPITAL RESOURCES

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

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

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

The key capital management measures used by the Company in monitoring and assessing its capital structure are net (cash) debt, adjusted funds flow, the ratio of net debt to adjusted funds flow and free cash flow. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Readers are referred to the "Specified Financial Measures" section of this MD&A and Note 18 – Capital Structure in the Consolidated Financial Statements for important additional information concerning these measures.

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

As at December 31	2024	2023
Cash and cash equivalents	(2.4)	(48.9)
Accounts receivable <sup>(1)</sup>	(191.8)	(155.0)
Prepaid expenses and other	(17.4)	(9.0)
Accounts payable and accrued liabilities	227.0	272.5
Long-term debt	173.0	–
<b>Net (cash) debt</b>	<b>188.4</b>	<b>59.6</b>

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

Net (cash) debt does not account for the \$563.9 million carrying value of the Company's investments in securities as at December 31, 2024 (December 31, 2023 – \$540.9 million).

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

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

Paramount may also determine to divest of assets or investments in securities from time to time to reduce indebtedness or fund operations. In January 2025, Paramount closed the Grande Prairie Disposition, receiving cash proceeds of approximately \$3.3 billion, repaid all remaining drawings then outstanding under the Paramount Facility and in February 2025, paid the \$2.1 billion Special Distribution to shareholders. In 2024, the Company received cash proceeds of \$126.8 million from the disposition of assets and investments in securities (2023 – cash proceeds of \$377.3 million from the disposition of assets). Subject to market conditions and availability, proceeds from new debt and/or equity financings may also provide additional sources of capital from time to time.

### **Paramount Facility**

The Company currently has a \$500 million financial covenant-based senior secured revolving bank credit facility, which was amended and extended in January 2025 in conjunction with the closing of the Grande Prairie Disposition. The Paramount Facility is secured by a charge over substantially all of the assets of the Company and its subsidiaries and has a maturity date of January 31, 2029.

The Paramount Facility contains a covenant requiring prior lender consent for the payment of dividends and other distributions if the Senior Secured Debt to Consolidated EBITDA ratio is greater than 2.50 to 1.00 pro forma the payment of the distribution. In addition, following payment of the Special Distribution in February 2025, until the Company achieves average quarterly production of at least 55,000 Boe/d for two consecutive fiscal quarters ("Minimum Production"), prior lender consent is required for distributions other than (i) any regular monthly dividend approved by Paramount's board of directors; or (ii) any repurchase by the Company of its Common Shares pursuant to a normal course issuer bid.

At Paramount's request, the capacity of the Paramount Facility can be increased from \$500 million to up to \$750 million pursuant to an accordion feature in the facility, subject to incremental lender commitments and the Company achieving Minimum Production.

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling \$7.5 million at December 31, 2024 (December 31, 2023 – \$3.1 million) that reduce the amount available to be drawn on the facility.

For additional information concerning the Paramount Facility, including a description of the financial covenants and the meaning of the Senior Secured Debt to Consolidated EBITDA ratio, refer to Note 8 in the Consolidated Financial Statements.

### **Unsecured Letter of Credit Facility**

The Company has a \$90 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank. Paramount's obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada. In January 2025, the term of the PSG was extended from June 30, 2025 to June 30, 2026. At December 31, 2024, \$29.4 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2023 – \$30.1 million).

## Cash Flow Hedges

The Company had the following electricity swaps at December 31, 2024:

Contract type	Aggregate notional <sup>(1)</sup>	Average fixed contract rate <sup>(1)</sup>	Remaining term
Electricity Swaps (Buy)	240 MWh/d	\$71.13/MWh	January 2025 – December 2025
Electricity Swaps (Buy)	120 MWh/d	\$58.79/MWh	January 2025 – December 2029
Electricity Swaps (Buy)	120 MWh/d	\$58.19/MWh	January 2026 – December 2028
Electricity Swaps (Buy)	120 MWh/d	\$61.73/MWh	January 2026 – December 2030

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

The Company has classified its electricity swaps as cash flow hedges and applied hedge accounting. There were no changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified at December 31, 2024.

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

## Paramount Options and Share Capital

In connection with the Special Distribution, in February 2025:

- i. all outstanding unvested options to acquire Common Shares ("Paramount Options") with an exercise price less than \$15.00 were vested;
- ii. 902,805 Paramount Options were surrendered by holders in consideration for cash payments by Paramount totaling \$22.0 million, calculated as the difference between the market price of the Common Shares and the exercise price of the applicable Paramount Options surrendered; and
- iii. the exercise price of all Paramount Options with an exercise price of greater than \$15.00 was reduced by \$15.00.

At February 28, 2025, Paramount had 143.0 million Common Shares outstanding (net of 0.3 million Common Shares held in trust under the Company's restricted share unit plan) and 6.3 million Paramount Options outstanding, of which 1.8 million Paramount Options are exercisable.

For the year ended December 31, 2024, Paramount issued 3.4 million Common Shares on the exercise of Paramount Options.

## Dividends and Distributions

For the year ended December 31, 2024, Paramount declared total cash dividends of \$1.70 per Common Share or \$248.2 million (2023 – \$2.50 per Common Share or \$355.4 million comprised of a special dividend of \$1.00 per Common Share or \$142.9 million and regular monthly dividends totaling \$1.50 per Common Share or \$212.5 million).

Subsequent to December 31, 2024, the Company paid regular monthly cash dividends of \$0.15 per Common Share on January 31, 2025 and \$0.05 per Common Share on February 28, 2025 to shareholders of record on January 15, 2025 and February 20, 2025, respectively. In March 2025, Paramount's Board of Directors declared a cash dividend of \$0.05 per Common Share to be payable on March 31, 2025 to shareholders of record on March 17, 2025.

Paramount also paid the Special Distribution of \$15.00 per Common Share on February 14, 2025 to shareholders of record on February 10, 2025, which is further described in the "Grande Prairie Disposition and Special Distribution" section of this MD&A.

### **Normal Course Issuer Bid**

In July 2024, Paramount implemented the 2024 NCIB under which the Company may purchase up to 7.9 million Common Shares for cancellation. The 2024 NCIB will terminate on the earlier of July 7, 2025 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2024 NCIB are purchased. Purchases of Common Shares under the 2024 NCIB will be made through the facilities of the TSX or alternative Canadian trading systems at the market price at the time of purchase.

The Company purchased and cancelled 722,300 Common Shares at a total cost of \$22.3 million under the 2024 NCIB to December 31, 2024. Subsequent to December 31, 2024, Paramount purchased and cancelled an additional 4,945,000 Common Shares under the 2024 NCIB at a total cost of \$154.7 million.

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

## FOURTH QUARTER RESULTS

### Net Income

Three months ended December 31	2024	2023
Petroleum and natural gas sales	459.3	470.5
Royalties	(48.5)	(68.9)
Sales of commodities purchased	98.7	50.2
<b>Revenue</b>	<b>509.5</b>	<b>451.8</b>
<b>Gain (loss) on risk management contracts</b>	<b>(25.3)</b>	<b>53.4</b>
	<b>484.2</b>	<b>505.2</b>
<b>Expenses</b>		
Operating expense	123.0	126.4
Transportation and NGLs processing	38.1	33.2
Commodities purchased	97.7	47.4
General and administrative	12.5	10.5
Share-based compensation	25.3	17.8
Depletion and depreciation	69.7	131.8
Exploration and evaluation	16.8	5.4
Gain on sale of oil and gas assets	(0.1)	(3.4)
Interest and financing expense	2.9	2.0
Accretion of asset retirement obligations	10.6	10.8
Other	(4.0)	(7.3)
	<b>392.5</b>	<b>374.6</b>
<b>Income before tax</b>	<b>91.7</b>	<b>130.6</b>
<b>Income tax expense</b>		
Deferred	4.3	18.7
<b>Net income</b>	<b>87.4</b>	<b>111.9</b>
<b>Net income per common share (\$/share)</b>		
Basic	0.60	0.78
Diluted	0.59	0.75

Paramount recorded net income of \$87.4 million for the three months ended December 31, 2024 compared to \$111.9 million in the same period in 2023. Significant factors contributing to the change are shown below:

Three months ended December 31	
<b>Net income – 2023</b>	<b>111.9</b>
• Loss on risk management contracts in 2024 compared to a gain in 2023	(78.7)
• Higher exploration and evaluation expense in 2024	(11.4)
• Higher share-based compensation expense in 2024	(7.5)
• Lower depletion and depreciation expense in 2024	62.1
• Lower income tax expense in 2024	14.4
• Higher netback in 2024 mainly due to higher liquids sales volumes and lower royalties	5.9
• Other	(9.3)
<b>Net income – 2024</b>	<b>87.4</b>

## Cash From Operating Activities

Three months ended December 31	2024	2023
<b>Operating activities</b>		
Net income	87.4	111.9
Add (deduct):		
Items not involving cash	148.1	169.5
Asset retirement obligations settled	(11.9)	(12.8)
Change in non-cash working capital	(35.9)	18.4
<b>Cash from operating activities</b>	<b>187.7</b>	<b>287.0</b>

Cash from operating activities for the three months ended December 31, 2024 was \$187.7 million compared to \$287.0 million for the same period in 2023. Significant factors contributing to the change are shown below:

Three months ended December 31	
<b>Cash from operating activities – 2023</b>	<b>287.0</b>
• Change in non-cash working capital	(54.3)
• Payments on risk management contract settlements in 2024 compared to receipts in 2023	(44.5)
• Higher netback in 2024 mainly due to higher liquids sales volumes and lower royalties	5.9
• Other	(6.4)
<b>Cash from operating activities – 2024</b>	<b>187.7</b>

## Adjusted Funds Flow

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

Three months ended December 31	2024	2023
<b>Cash from operating activities</b>	<b>187.7</b>	287.0
Change in non-cash working capital	35.9	(18.4)
Geological and geophysical expense	2.3	2.7
Asset retirement obligations settled	11.9	12.8
<b>Adjusted funds flow <sup>(1)</sup></b>	<b>237.8</b>	284.1
<b>Adjusted funds flow (\$/Boe) <sup>(2)</sup></b>	<b>25.21</b>	30.48

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

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

Adjusted funds flow for the three months ended December 31, 2024 was \$237.8 million compared to \$284.1 million in the same period in 2023. Significant factors contributing to the change are shown below:

Three months ended December 31	
<b>Adjusted funds flow – 2023</b>	<b>284.1</b>
• Payments on risk management contract settlements in 2024 compared to receipts in 2023	(44.5)
• Higher netback in 2024 mainly due to higher liquids sales volumes and lower royalties	5.9
• Other	(7.7)
<b>Adjusted funds flow – 2024</b>	<b>237.8</b>

## Free Cash Flow

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

Three months ended December 31	2024	2023
Cash from operating activities	187.7	287.0
Change in non-cash working capital	35.9	(18.4)
Geological and geophysical expense	2.3	2.7
Asset retirement obligations settled	11.9	12.8
<b>Adjusted funds flow</b>	<b>237.8</b>	<b>284.1</b>
Capital expenditures	(170.8)	(208.9)
Geological and geophysical expense	(2.3)	(2.7)
Asset retirement obligations settled	(11.9)	(12.8)
<b>Free cash flow <sup>(1)</sup></b>	<b>52.8</b>	<b>59.7</b>

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

Free cash flow for the three months ended December 31, 2024 was \$52.8 million compared to \$59.7 million in the same period in 2023. Significant factors contributing to the change are shown below:

Three months ended December 31	
Free cash flow – 2023	59.7
<ul style="list-style-type: none"> <li>Lower adjusted funds flow in 2024 (described in "Adjusted Funds Flow" section above)</li> <li>Lower capital expenditures in 2024</li> <li>Other</li> </ul>	(46.3) 38.1 1.3
<b>Free cash flow – 2024</b>	<b>52.8</b>

## Netback

Three months ended December 31	2024		2023	
		(\$/Boe) <sup>(1)(2)</sup>		(\$/Boe) <sup>(1)(2)</sup>
Natural gas revenue	58.0	1.99	83.7	2.79
Condensate and oil revenue	379.4	96.26	363.7	98.12
Other NGLs revenue	21.3	34.32	22.2	36.06
Royalty income and other revenue	0.6	–	0.9	–
<b>Petroleum and natural gas sales</b>	<b>459.3</b>	<b>48.72</b>	<b>470.5</b>	<b>50.46</b>
Royalties	(48.5)	(5.14)	(68.9)	(7.39)
Operating expense	(123.0)	(13.05)	(126.4)	(13.56)
Transportation and NGLs processing	(38.1)	(4.04)	(33.2)	(3.56)
Sales of commodities purchased	98.7	10.46	50.2	5.38
Commodities purchased	(97.7)	(10.36)	(47.4)	(5.06)
<b>Netback <sup>(3)</sup></b>	<b>250.7</b>	<b>26.59</b>	<b>244.6</b>	<b>26.25</b>
Risk management contract settlements	(1.5)	(0.16)	43.6	4.61
<b>Netback including risk management contract settlements <sup>(4)</sup></b>	<b>249.2</b>	<b>26.43</b>	<b>287.6</b>	<b>30.86</b>

(1) Natural gas revenue shown per Mcf.

(2) When presented on a \$/Boe or \$/Mcf basis, each of the components of Netback is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

(3) Netback is a non-GAAP financial measure. Netback presented on a \$/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

(4) Netback including risk management contract settlements is a non-GAAP financial measure. Netback including risk management contract settlements presented on a \$/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

Fourth quarter 2024 petroleum and natural gas sales were \$459.3 million compared to \$470.5 million for the same period in 2023. The decrease in 2024 was mainly due to a three percent decrease in petroleum and natural gas sales prices per Boe over the same period.

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

	Natural gas	Condensate and oil	Other NGLs	Royalty income and other revenue	Total
Three months ended December 31, 2023	83.7	363.7	22.2	0.9	470.5
Effect of changes in prices	(23.4)	(7.3)	(1.1)	–	(31.8)
Effect of changes in sales volumes	(2.3)	23.0	0.2	–	20.9
Change in royalty income and other revenue	–	–	–	(0.3)	(0.3)
<b>Three months ended December 31, 2024</b>	<b>58.0</b>	<b>379.4</b>	<b>21.3</b>	<b>0.6</b>	<b>459.3</b>

## Sales Volumes

	Three months ended December 31											
	Natural gas (MMcf/d) <sup>(1)</sup>			Condensate and oil (Bbl/d) <sup>(1)</sup>			Other NGLs (Bbl/d) <sup>(1)</sup>			Total (Boe/d) <sup>(1)</sup>		
	2024	2023	Chg	2024	2023	Chg	2024	2023	Chg	2024	2023	Chg
Grande Prairie	214.2	214.4	–	31,443	32,382	(3%)	3,988	4,742	(16%)	71,130	72,860	(2%)
Kaybob	80.0	79.8	–	7,626	5,810	31%	1,480	1,209	22%	22,441	20,324	10%
Central Alberta and Other	23.1	32.0	(28%)	3,766	2,098	80%	1,285	747	72%	8,906	8,164	9%
<b>Total</b>	<b>317.3</b>	<b>326.2</b>	<b>(3%)</b>	<b>42,835</b>	<b>40,290</b>	<b>6%</b>	<b>6,753</b>	<b>6,698</b>	<b>1%</b>	<b>102,477</b>	<b>101,348</b>	<b>1%</b>

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

Total Company sales volumes in the fourth quarter of 2024 averaged 102,477 Boe/d (48% liquids), a new quarterly record for Paramount, compared to 101,348 Boe/d (46% liquids) in the same period in 2023.

Fourth quarter sales volumes in the Grande Prairie Region averaged 71,130 Boe/d (50% liquids) compared to 72,860 Boe/d (51% liquids) in the same period in 2023. Fourth quarter 2024 sales volumes were impacted by approximately 6,100 Boe/d from the previously disclosed shut-down of the Wapiti field for the equivalent of 17 full days related to the scheduled turnaround of the third-party Wapiti natural gas processing plant. Grande Prairie Region sales volumes in the fourth quarter of 2024 were also impacted by an estimated 5,000 Boe/d related to unplanned outages and curtailments associated with third-party midstream facilities (fourth quarter of 2023 – approximately 6,800 Boe/d of outages and curtailments associated with third-party midstream facilities). The Company brought onstream eight new Montney wells in the Grande Prairie Region during the fourth quarter of 2024.

Kaybob Region sales volumes averaged 22,441 Boe/d (41% liquids) in the fourth quarter of 2024 compared to 20,324 Boe/d (35% liquids) in the same period in 2023. The increase in sales volumes and liquids contribution was mainly due to new Duvernay wells brought onstream, partially offset by the 2024 Kaybob Disposition. The Company had 1,300 Boe/d of Kaybob Region dry natural gas production shut-in during the quarter due to low natural gas prices.

Sales volumes in the Central Alberta and Other Region were 8,906 Boe/d (57% liquids) in the fourth quarter of 2024 compared to 8,164 Boe/d (35% liquids) in the same period in 2023. The Company brought on five new Duvernay wells in the Central Alberta and Other Region in 2024, increasing both sales volumes and liquids contribution. Paramount had 2,800 Boe/d of Central Alberta and Other Region dry natural gas production shut-in during the quarter.

## Commodity Prices

Three months ended December 31	2024	2023	% Change
<b>Natural Gas <sup>(1)</sup></b>			
Paramount realized natural gas price (\$/Mcf)	1.99	2.79	(29)
AECO daily spot (\$/GJ)	1.40	2.18	(36)
AECO monthly index (\$/GJ)	1.38	2.52	(45)
Dawn (\$/MMBtu)	3.16	3.17	-
NYMEX (US\$/MMBtu)	2.99	2.91	3
Malin daily index (US\$/MMBtu)	2.48	3.64	(32)
<b>Condensate and Oil <sup>(1)</sup></b>			
Paramount realized condensate & oil price (\$/Bbl)	96.26	98.12	(2)
Edmonton light sweet crude oil (\$/Bbl)	92.69	97.55	(5)
Edmonton condensate (\$/Bbl)	98.82	104.09	(5)
West Texas Intermediate crude oil (US\$/Bbl)	70.27	78.32	(10)
<b>Other NGLs <sup>(1)</sup></b>			
Paramount realized Other NGLs price (\$/Bbl)	34.32	36.00	(5)
Conway – propane (\$/Bbl)	43.21	37.04	17
Belvieu – butane (\$/Bbl)	66.13	53.58	23
<b>Foreign Exchange</b>			
\$ / 1 \$US	1.40	1.36	3

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

In the fourth quarter of 2024, 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 13,300 GJ/d of natural gas at Emerson. The Company's natural gas sales portfolio in the fourth quarter of 2023 included arrangements to sell approximately 60,000 GJ/d of natural gas at Dawn, approximately 22,000 GJ/d of natural gas at Malin and approximately 13,500 GJ/d of natural gas priced at the U.S. Midwest.

Royalties were \$48.5 million in the fourth quarter of 2024 compared to \$68.9 million in the same period in 2023. Royalty rates were 10.6 percent in the fourth quarter of 2024 compared to 14.7 percent in the same period in 2023. Royalties and royalty rates decreased in the fourth quarter of 2024 mainly due to a greater proportion of wells on incentives and higher gas cost allowance.

Operating expenses were \$123.0 million in the fourth quarter of 2024 compared to \$126.4 million in the same period in 2023. Operating expenses were three percent lower in 2024 mainly due to the impact of the 2024 Kaybob Disposition and lower processing fees on lower sales volumes processed through third-party facilities. These decreases were partially offset by increased workover and maintenance activities.

Total Company per unit operating expenses were \$13.05/Boe in the fourth quarter of 2024 compared to \$13.56/Boe in the same period in 2023. The decrease was mainly due to lower third-party processing fees and higher sales volumes, partially offset by increased workover and maintenance activities.

Transportation and NGLs processing expense was \$38.1 million or \$4.04/Boe in the fourth quarter of 2024 compared to \$33.2 million or \$3.56/Boe in the same period in 2023. The increase was mainly due to less short-term optimization with respect to the Company's transportation portfolio.

Sales of commodities purchased were \$98.7 million in the fourth quarter of 2024 compared \$50.2 million in the same period in 2023. Commodities purchased were \$97.7 million in the fourth quarter of 2024 compared to \$47.4 million in the same period in 2023.

Depletion and depreciation expense was \$69.7 million in the fourth quarter of 2024 compared to \$131.8 million in the same period in 2023. The decrease in 2024 was mainly from transferring the Assets sold as part of the Grande Prairie Disposition to held for sale during the fourth quarter of 2024 and due to a \$13.3 million recovery related to changes in asset retirement obligations compared to a \$16.3 million charge in 2023.

### Capital Expenditures by Region

Three months ended December 31	2024	2023
Grande Prairie Region	71.3	75.8
Kaybob Region	18.8	64.5
Central Alberta and Other Region	79.5	61.7
Fox and Cavalier Energy	1.2	3.9
Corporate	-	3.0
<b>Capital expenditures</b>	<b>170.8</b>	<b>208.9</b>

Capital expenditures in the fourth quarter of 2024 totaled \$170.8 million, with the majority of spending directed to the Willesden Green and Kaybob North Duvernay developments and the Grande Prairie Region Montney development.

## QUARTERLY INFORMATION

	2024				2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Petroleum and natural gas sales</b>	<b>459.3</b>	404.8	443.6	452.3	470.5	463.8	374.4	489.7
<b>Revenue</b>	<b>509.5</b>	438.0	461.9	445.2	451.8	430.7	380.9	535.7
<b>Net income</b>	<b>87.4</b>	95.8	84.5	68.1	111.9	87.2	74.2	197.0
<i>Per share – basic (\$/share)</i>	<i>0.60</i>	<i>0.65</i>	<i>0.56</i>	<i>0.47</i>	<i>0.78</i>	<i>0.61</i>	<i>0.52</i>	<i>1.39</i>
<i>Per share – diluted (\$/share)</i>	<i>0.59</i>	<i>0.64</i>	<i>0.57</i>	<i>0.46</i>	<i>0.75</i>	<i>0.59</i>	<i>0.50</i>	<i>1.33</i>
<b>Cash from operating activities</b>	<b>187.7</b>	205.7	220.5	201.3	287.0	207.6	172.2	271.4
<i>Per share – basic (\$/share) <sup>(1)</sup></i>	<i>1.28</i>	<i>1.40</i>	<i>1.51</i>	<i>1.39</i>	<i>1.99</i>	<i>1.45</i>	<i>1.20</i>	<i>1.91</i>
<i>Per share – diluted (\$/share) <sup>(1)</sup></i>	<i>1.26</i>	<i>1.38</i>	<i>1.47</i>	<i>1.35</i>	<i>1.93</i>	<i>1.40</i>	<i>1.16</i>	<i>1.84</i>
<b>Adjusted funds flow <sup>(1)</sup></b>	<b>237.8</b>	200.7	266.2	225.6	284.1	234.2	178.7	268.2
<i>Per share – basic (\$/share)</i>	<i>1.62</i>	<i>1.37</i>	<i>1.82</i>	<i>1.56</i>	<i>1.97</i>	<i>1.64</i>	<i>1.25</i>	<i>1.89</i>
<i>Per share – diluted (\$/share)</i>	<i>1.59</i>	<i>1.34</i>	<i>1.76</i>	<i>1.52</i>	<i>1.91</i>	<i>1.58</i>	<i>1.21</i>	<i>1.81</i>
<b>Free cash flow <sup>(1)</sup></b>	<b>52.8</b>	(26.3)	20.3	(9.5)	59.7	18.5	30.5	59.8
<i>Per share – basic (\$/share)</i>	<i>0.36</i>	<i>(0.18)</i>	<i>0.14</i>	<i>(0.07)</i>	<i>0.41</i>	<i>0.13</i>	<i>0.21</i>	<i>0.42</i>
<i>Per share – diluted (\$/share)</i>	<i>0.35</i>	<i>(0.18)</i>	<i>0.14</i>	<i>(0.07)</i>	<i>0.40</i>	<i>0.12</i>	<i>0.21</i>	<i>0.40</i>
<b>Dividends declared (\$/share)</b>	<b>0.45</b>	0.45	0.425	0.375	0.375	0.375	0.375	1.375
<b>Sales volumes</b>								
Natural gas (MMcf/d)	<b>317.3</b>	294.5	296.8	318.7	326.2	323.1	290.2	320.6
Condensate and oil (Bbl/d)	<b>42,835</b>	38,770	39,206	40,908	40,290	38,161	34,230	37,916
Other NGLs (Bbl/d)	<b>6,753</b>	7,045	6,928	6,954	6,698	6,627	5,648	5,916
Total (Boe/d)	<b>102,477</b>	94,892	95,609	100,977	101,348	98,644	88,243	97,269
<i>Liquids %</i>	<i>48%</i>	<i>48%</i>	<i>48%</i>	<i>47%</i>	<i>46%</i>	<i>45%</i>	<i>45%</i>	<i>45%</i>
<b>Realized prices <sup>(1)</sup></b>								
Natural gas (\$/Mcf)	<b>1.99</b>	1.37	1.69	2.84	2.79	2.67	2.43	4.23
Condensate and oil (\$/Bbl)	<b>96.26</b>	96.15	103.07	92.64	98.12	103.36	94.42	100.66
Other NGLs (\$/Bbl)	<b>34.32</b>	36.25	33.07	37.81	36.00	33.64	30.86	43.93
Petroleum and natural gas (\$/Boe)	<b>48.72</b>	46.37	50.99	49.24	50.46	51.11	46.63	55.94

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

## Significant Items Impacting Quarterly Results

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

- Fourth quarter 2024 earnings include a \$25.3 million loss on risk management contracts and lower depletion and depreciation expense mainly from transferring the Assets sold as part of the Grande Prairie Disposition to held for sale during the fourth quarter of 2024.
- Third quarter 2024 earnings include a \$32.5 million gain on risk management contracts.
- Second quarter 2024 earnings include a \$36.0 million gain on risk management contracts, \$10.0 million related to an interim payment from insurers for 2023 wildfire losses and \$7.9 million in dividends on the Company's investments in securities.
- First quarter 2024 earnings include a \$15.6 million gain on the sale of oil and gas assets.
- Fourth quarter 2023 earnings include a \$53.4 million gain on risk management contracts.
- Third quarter 2023 earnings include the impacts of higher sales volumes following the Alberta wildfires in the second quarter.
- Second quarter 2023 earnings include the impacts of the Alberta wildfires on sales volumes and netback.
- First quarter 2023 earnings include a \$121.1 million gain on the sale of oil and gas assets.

## OTHER INFORMATION

### Contractual Obligations

Paramount had the following contractual obligations at December 31, 2024: <sup>(1)</sup>

	Within 1 year	After one year but not more than three years	After three years but not more than five years	More than five years	Total
Paramount Facility	–	173.6	–	–	173.6
Transportation and processing commitments	247.8	518.1	452.1	1,461.0	2,679.0
Finance lease and other commitments	12.3	13.9	6.3	19.2	51.7
	<b>260.1</b>	<b>705.6</b>	<b>458.4</b>	<b>1,480.2</b>	<b>2,904.3</b>

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

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

In connection with the Grande Prairie Disposition, which closed on January 31, 2025, Ovintiv assumed Paramount's processing and transportation commitments and finance lease obligations related to the Assets. These contractual obligations totaled approximately \$1.4 billion at December 31, 2024.

### Contingencies

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

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

## NEW AND UPDATED ACCOUNTING POLICIES AND STANDARDS

### Future Changes in Accounting Standards

In April 2024, the International Accounting Standards Board ("IASB") issued *IFRS 18 – Presentation and Disclosure in Financial Statements*, which replaces *IAS 1 – Presentation of Financial Statements* and establishes a revised structure for the financial statements, 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. The Company is in the process of confirming the impact of this new standard on its consolidated financial statements.

In May 2024, the IASB issued amendments to *IFRS 9 – Financial Instruments* and *IFRS 7 – Financial Instruments: Disclosures*. These amendments include clarifications of the dates of recognition and derecognition of some financial assets and liabilities and the classification of certain financial assets. In addition, there are new disclosure requirements related to equity instruments designated as fair value through other comprehensive income. These amendments are effective for fiscal years beginning on or after January 1, 2026, with early adoption permitted. The Company is in the process of confirming the impact of this new standard on its consolidated financial statements.

## DISCLOSURE CONTROLS AND PROCEDURES

As of the year ended December 31, 2024, an evaluation of the effectiveness of Paramount's disclosure controls and procedures ("DCP"), as defined under National Instrument 52-109 "*Certification of Disclosure in Issuers' Annual and Interim Filings*" ("NI 52-109"), was performed by the Company's Management under the supervision of the Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's DCP are effective as of December 31, 2024.

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

## INTERNAL CONTROL OVER FINANCIAL REPORTING

Management, under the supervision of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting ("ICFR") as defined under NI 52-109 as at December 31, 2024. In making its evaluation, Management used the Committee of Sponsoring Organizations of the Treadway Commission Framework in Internal Control – Integrated Framework (2013). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's ICFR was effective as of December 31, 2024.

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

During the year ended December 31, 2024, there was no change in the Company's ICFR that materially affected, or is reasonably likely to materially affect, the Company's ICFR.

## RISK FACTORS

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

On February 1, 2025, the United States announced that it was imposing import tariffs on goods from certain major trading partners effective February 4, 2025. With respect to Canada, these consisted of a 25 percent tariff on Canadian-origin imports other than energy products and a 10 percent tariff on energy products (including crude oil, natural gas, lease condensates, natural gas liquids, refined petroleum products, uranium, coal, biofuels, geothermal heat, the kinetic movement of flowing water and critical minerals). In response, Canada announced its intention to implement retaliatory tariffs of 25 percent on imports of certain products of the United States. On February 3, 2025, the United States and Canada agreed to delay the imposition of the tariffs and retaliatory tariffs for a period of 30 days. On March 4, 2025, the 25 percent tariff imposed by the United States on Canadian-origin imports other than energy products and the 10 percent tariff on energy products came into effect. Also on March 4, 2025, retaliatory tariffs of 25 percent on imports of certain products of the United States worth approximately \$30 billion per annum were imposed by Canada with further retaliatory tariffs of 25 percent to be imposed on an additional \$125 billion per annum of products of the United States to become effective on March 25, 2025.

On February 4, 2025 the United States imposed a 10 percent tariff against Chinese goods. On March 4, 2025, the United States doubled the tariff to 20 percent. China has announced retaliatory tariffs against certain products of the United States and other trade actions in response to each announcement of tariffs against it.

An additional tariff of 25 percent on global imports of aluminum and steel has been announced by the United States to become effective March 12, 2025.

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 and other nations; (iii) other actions will be taken to restrict or tax the trade of goods between the United States and Canada or between the United States

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

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

## **CRITICAL ACCOUNTING ESTIMATES**

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

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

### **Reserves Estimates**

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

Estimates of reserves impact the assessment of whether a new well has found economically recoverable reserves, depletion rates, the estimated fair value of petroleum and natural gas properties acquired in a business combination and the estimated recoverable amount of petroleum and natural gas properties used for the purposes of impairment and impairment reversal assessments. Changes in reserves estimates could impact these and other matters resulting in a material impact on net earnings.

### **Exploration or Development**

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

## Exploration and Evaluation Projects

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

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

## Estimates of Recoverable Amounts

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

## Determination of CGUs

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

## Depletion

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

## **Investments in Securities**

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

## **Asset Retirement Obligations**

Estimates of asset retirement costs are based on assumptions regarding the methods, timing, economic environment and regulatory standards that are expected to exist at the time assets are retired. Management also exercises judgment to determine credit-adjusted risk-free discount and inflation rates at the end of each reporting period which are subject to change. The Company adjusts estimated amounts periodically as assumptions are updated to incorporate new information. The actual amount and timing of payments to settle the obligations may differ materially from estimates.

## **Share-Based Payments**

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

## **Income Taxes**

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

## PRODUCT TYPE INFORMATION

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

	2024				2023				Annual		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2024	2023	2022
<b>SALES VOLUMES – TOTAL COMPANY BY PRODUCT TYPE</b>											
Shale gas (MMcf/d)	269.2	249.0	243.1	268.5	271.8	276.7	246.0	265.2	257.5	265.2	232.9
Conventional natural gas (MMcf/d)	48.1	45.5	53.7	50.2	54.4	46.4	44.2	55.4	49.3	49.9	61.8
<b>Natural gas (MMcf/d)</b>	<b>317.3</b>	294.5	296.8	318.7	326.2	323.1	290.2	320.6	306.8	315.1	294.7
Condensate (Bbl/d)	41,243	36,830	36,825	38,332	37,522	35,984	32,341	34,706	38,311	35,148	31,228
Other NGLs (Bbl/d)	6,753	7,045	6,928	6,954	6,698	6,627	5,648	5,916	6,920	6,226	5,650
<b>NGLs (Bbl/d)</b>	<b>47,996</b>	43,875	43,753	45,286	44,220	42,611	37,989	40,622	45,231	41,374	36,878
Light and medium crude oil (Bbl/d)	792	1,235	1,566	1,595	1,636	1,154	942	2,151	1,296	1,469	2,200
Tight oil (Bbl/d)	393	368	466	592	699	627	538	599	454	616	480
Heavy crude oil (Bbl/d)	407	337	349	389	433	396	409	460	371	424	–
<b>Crude oil (Bbl/d)</b>	<b>1,592</b>	1,940	2,381	2,576	2,768	2,177	1,889	3,210	2,121	2,509	2,680
<b>Total (Boe/d)</b>	<b>102,477</b>	94,892	95,609	100,977	101,348	98,644	88,243	97,269	98,490	96,393	88,672

<b>SALES VOLUMES – BY REGION BY PRODUCT TYPE</b>											
<b>GRANDE PRAIRIE REGION</b>											
Shale gas (MMcf/d)	213.8	203.0	187.0	201.6	214.1	222.8	196.1	204.0	201.4	209.3	166.9
Conventional natural gas (MMcf/d)	0.4	0.2	0.3	0.2	0.3	0.4	0.3	0.4	0.3	0.4	1.3
<b>Natural gas (MMcf/d)</b>	<b>214.2</b>	203.2	187.3	201.8	214.4	223.2	196.4	204.4	201.7	209.7	168.2
Condensate (Bbl/d)	31,330	28,924	27,936	29,061	32,155	32,145	30,046	31,367	29,317	31,433	27,095
Other NGLs (Bbl/d)	3,988	4,723	4,179	4,334	4,742	4,815	4,012	4,074	4,306	4,414	3,394
<b>NGLs (Bbl/d)</b>	<b>35,318</b>	33,647	32,115	33,395	36,897	36,960	34,058	35,441	33,623	35,847	30,489
Light and medium crude oil (Bbl/d)	–	–	–	–	–	–	–	–	–	–	4
Tight oil (Bbl/d)	113	123	147	141	227	220	159	–	131	152	–
<b>Crude oil (Bbl/d)</b>	<b>113</b>	123	147	141	227	220	159	–	131	152	4
<b>Total (Boe/d)</b>	<b>71,130</b>	67,635	63,480	67,163	72,860	74,381	66,950	69,507	67,363	70,943	58,519

<b>KAYBOB REGION</b>											
Shale gas (MMcf/d)	35.7	31.8	35.8	30.6	30.2	28.0	21.7	31.8	33.5	28.2	38.5
Conventional natural gas (MMcf/d)	44.3	41.6	48.8	47.7	49.6	41.7	38.4	49.6	45.6	44.6	55.0
<b>Natural gas (MMcf/d)</b>	<b>80.0</b>	73.4	84.6	78.3	79.8	69.7	60.1	81.4	79.1	72.8	93.5
Condensate (Bbl/d)	6,794	5,943	6,617	6,038	4,003	2,981	1,301	2,315	6,348	2,655	3,192
Other NGLs (Bbl/d)	1,480	1,403	1,599	1,480	1,209	1,188	891	988	1,490	1,070	1,620
<b>NGLs (Bbl/d)</b>	<b>8,274</b>	7,346	8,216	7,518	5,212	4,169	2,192	3,303	7,838	3,725	4,812
Light and medium crude oil (Bbl/d)	772	1,224	1,544	1,573	1,602	1,131	914	2,121	1,277	1,440	2,066
Tight oil (Bbl/d)	60	85	80	212	205	104	115	206	109	158	261
<b>Crude oil (Bbl/d)</b>	<b>832</b>	1,309	1,624	1,785	1,807	1,235	1,029	2,327	1,386	1,598	2,327
<b>Total (Boe/d)</b>	<b>22,441</b>	20,894	23,946	22,353	20,324	17,027	13,238	19,201	22,404	17,449	22,730

	2024				2023				Annual		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2024	2023	2022
<b>CENTRAL ALBERTA AND OTHER REGION</b>											
Shale gas (MMcf/d)	19.7	14.2	20.3	36.3	27.5	25.9	28.2	29.4	22.6	27.7	27.5
Conventional natural gas (MMcf/d)	3.4	3.7	4.6	2.3	4.5	4.3	5.5	5.4	3.4	4.9	5.5
<b>Natural gas (MMcf/d)</b>	<b>23.1</b>	17.9	24.9	38.6	32.0	30.2	33.7	34.8	26.0	32.6	33.0
Condensate (Bbl/d)	3,119	1,963	2,272	3,233	1,364	858	994	1,024	2,646	1,060	941
Other NGLs (Bbl/d)	1,285	919	1,150	1,140	747	624	745	854	1,124	742	636
<b>NGLs (Bbl/d)</b>	<b>4,404</b>	2,882	3,422	4,373	2,111	1,482	1,739	1,878	3,770	1,802	1,577
Light and medium crude oil (Bbl/d)	20	11	22	22	34	23	28	30	19	29	130
Tight oil (Bbl/d)	220	160	239	239	267	303	264	393	214	306	219
Heavy crude oil (Bbl/d)	407	337	349	389	433	396	409	460	371	424	–
<b>Crude oil (Bbl/d)</b>	<b>647</b>	508	610	650	734	722	701	883	604	759	349
<b>Total (Boe/d)</b>	<b>8,906</b>	6,363	8,183	11,461	8,164	7,236	8,055	8,561	8,723	8,001	7,423

Estimated January 2025 sales volumes were approximately 101,500 Boe/d (53% shale gas and conventional natural gas combined, 40% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 7% other NGLs).

2025 average sales volumes are expected to be between 37,500 Boe/d and 42,500 Boe/d (52% shale gas and conventional natural gas combined, 40% 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 regions or properties. Netback is used by investors and Management to compare the performance of the Company's producing assets between periods.

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

A calculation of netback and netback including risk management contract settlements for the years ended December 31, 2024 and 2023 and for the three months ended December 31, 2024 and 2023 is provided in this MD&A under "Operating Results – Netback" and "Fourth Quarter Results – Netback", respectively.

## Non-GAAP Ratios

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

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

## Capital Management Measures

Adjusted funds flow, free cash flow, net (cash) debt and net debt to adjusted funds flow are capital management measures that Paramount utilizes in managing its capital structure. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Refer to Note 18 – Capital Structure in the Consolidated Financial Statements for a description of the composition and use of these measures. Refer also to the "Liquidity and Capital Resources" section in this MD&A.

A reconciliation of adjusted funds flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for (i) the years ended December 31, 2024, 2023 and 2022 is provided in this MD&A under "Consolidated Results – Adjusted Funds Flow" and (ii) the three months ended December 31, 2024, and 2023 is provided in this MD&A under "Fourth Quarter Results – Adjusted Funds Flow".

A reconciliation of free cash flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for (i) the years ended December 31, 2024, 2023 and 2022 is provided in this MD&A under "Consolidated Results – Free Cash Flow" and (ii) the three months ended December 31, 2024, and 2023 is provided in this MD&A under "Fourth Quarter Results – Free Cash Flow".

A calculation of net (cash) debt as at December 31, 2024 and 2023 is provided in this MD&A under the "Liquidity and Capital Resources" section. At December 31, 2024, Paramount's net debt to adjusted funds flow ratio (determined on a trailing four quarter basis) was 0.2x (December 31, 2023 – 0.1x).

## Supplementary Financial Measures

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

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

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

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

## ADVISORIES

### Forward-looking Information

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

- planned capital expenditures in 2025 and the allocation thereof;
- expected average sales volumes for 2025 and certain periods therein;
- the expected 2025 exit rate of production;
- pro forma tax pools as at December 31, 2024 and the composition thereof as well as the statement that the Company does not anticipate cash tax to arise on the Grande Prairie Disposition;
- the expected sources of funding for forecast 2025 capital expenditures, abandonment and reclamation expenditures and regular monthly dividends; and
- the anticipation that legal proceedings will not have a material impact on Paramount's financial position.

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

- future commodity prices;
- the potential scope and duration of tariffs, export taxes, export restrictions or other trade actions;
- the impact of international conflicts, including in Ukraine and the Middle East;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates, interest rates and the rate and impacts of inflation;
- general business, economic and market conditions;
- the performance of wells and facilities;
- the availability to Paramount of the funds required for exploration, development and other operations and the meeting of commitments and financial obligations;
- the ability of Paramount to obtain equipment, materials, services and personnel in a timely manner and at expected and acceptable costs to carry out its activities;
- the ability of Paramount to secure adequate processing, transportation, fractionation, disposal and storage capacity on acceptable terms and the capacity and reliability of facilities, pipelines and other infrastructure;
- the ability of Paramount to obtain the volumes of water required for completion activities;
- the ability of Paramount to market its production successfully;
- the ability of Paramount and its industry partners to obtain drilling success (including in respect of anticipated sales volumes, reserves additions, product yields and product recoveries) and operational improvements, efficiencies and results consistent with expectations;
- the timely receipt of required governmental and regulatory approvals;
- the application of regulatory requirements respecting abandonment and reclamation;
- the merits of outstanding and pending legal proceedings; and
- anticipated timelines and budgets being met in respect of: (i) drilling programs and other operations, including well completions and tie-ins, (ii) the construction, commissioning and start-up of new and expanded Company and third-party facilities, pipelines and other infrastructure, including the Alhambra Plant at Willesden Green, and (iii) facility turnarounds and maintenance.

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

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

- uncertainties regarding Indigenous claims and in maintaining relationships with local populations and other stakeholders;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities.

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

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risk Factors" in Paramount's Annual Information Form for the year ended December 31, 2024, which is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, Paramount undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

## Oil and Gas Measures and Definitions

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

This MD&A contains disclosures expressed as "Boe", "\$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the year ended December 31, 2024, the value ratio between crude oil and natural gas was approximately 72:1. 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.