



Management's Discussion and Analysis
For the three and six months ended June 30, 2023

This Management's Discussion and Analysis ("MD&A"), dated August 1, 2023 should be read in conjunction with the unaudited interim condensed consolidated financial statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the three and six months ended June 30, 2023 (the "Interim Financial Statements") and Paramount's audited consolidated financial statements as at and for the year ended December 31, 2022 (the "Annual Financial Statements"). Financial data included in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and is stated in millions of Canadian dollars, unless otherwise noted. The Company's accounting policies have been applied consistently to all periods presented. Certain comparative figures have been reclassified to conform to the current year's presentation.

ABOUT PARAMOUNT

Paramount is an independent, publicly traded, liquids-rich natural gas focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas. Paramount's principal properties are located in Alberta and British Columbia. Paramount commenced operations as a public company in 1978 and has adapted to a multitude of operating and economic climates over the years. The Company's class A common shares ("Common Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "POU". Additional information concerning Paramount, including its Annual Information Form for the year ended December 31, 2022 ("Annual Information Form"), can be found on the SEDAR website at www.sedar.com.

Paramount's operations are organized into the following three regions:

- the Grande Prairie Region, located in the Peace River Arch area of Alberta, which is focused on Montney developments at Karr and Wapiti;
- the Kaybob Region, located in west-central Alberta, which includes the Kaybob North Duvernay development, the Kaybob North Montney oil development and other shale gas and conventional natural gas producing properties; and
- the Central Alberta and Other Region, which includes the Willesden Green Duvernay development in central Alberta and shale gas producing properties in the Horn River Basin in northeast British Columbia.

The Company's assets also include: (i) strategic investments in exploration and pre-development stage assets, including prospective shale gas acreage in the Liard Basin in northeast British Columbia and the Northwest Territories, prospective natural gas and oil acreage in the Mackenzie Delta and Central Mackenzie in the Northwest Territories and interests held by the Company's wholly-owned subsidiary Cavalier Energy Inc. ("Cavalier") prospective for cold flow heavy oil and in-situ thermal oil recovery; (ii) five triple-sized drilling rigs owned by the Company's wholly-owned limited partnership Fox Drilling Limited Partnership ("Fox Drilling"); and (iii) investments in other entities.

SPECIFIED FINANCIAL MEASURES, PRODUCT TYPES AND OTHER ADVISORIES

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

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

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

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
FINANCIAL				
Petroleum and natural gas sales	374.4	536.2	864.2	1,035.9
Net income	74.2	182.2	271.1	198.9
Per share – basic (\$/share)	0.52	1.29	1.90	1.42
Per share – diluted (\$/share)	0.50	1.24	1.83	1.36
Cash from operating activities	172.2	318.9	443.4	493.9
Per share – basic (\$/share) ⁽¹⁾	1.20	2.26	3.11	3.52
Per share – diluted (\$/share) ⁽¹⁾	1.16	2.16	2.99	3.37
Adjusted funds flow ⁽¹⁾	178.7	258.3	446.9	496.0
Per share – basic (\$/share)	1.25	1.83	3.14	3.54
Per share – diluted (\$/share)	1.21	1.75	3.02	3.38
Free cash flow ⁽¹⁾	30.5	68.3	90.2	171.6
Per share – basic (\$/share)	0.21	0.48	0.63	1.22
Per share – diluted (\$/share)	0.21	0.46	0.61	1.17
Total assets			4,106.6	4,076.2
Investments in securities			489.9	468.8
Long-term debt			–	227.7
Net (cash) debt ⁽¹⁾			2.3	374.0
Total liabilities			756.4	1,186.3
Common shares outstanding (millions) ⁽²⁾			143.1	141.2
OPERATING				
Sales volumes				
Natural gas (MMcf/d)	290.2	267.2	305.3	270.1
Condensate and oil (Bbl/d)	34,230	27,750	36,063	29,553
Other NGLs (Bbl/d)	5,648	5,021	5,781	5,148
Total (Boe/d)	88,243	77,312	92,731	79,711
% Liquids	45%	42%	45%	44%
Realized prices ⁽¹⁾				
Natural gas (\$/Mcf)	2.43	6.75	3.37	5.96
Condensate and oil (\$/Bbl)	94.42	134.65	97.68	125.61
Other NGLs (\$/Bbl)	30.86	62.80	37.51	62.21
Petroleum and natural gas sales (\$/Boe)	46.63	76.22	51.49	71.80
Capital expenditures	140.2	184.1	324.3	301.2

(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): 2023: 0.4 million and 2022: 0.8 million.

Q2 2023 OVERVIEW

Paramount's operations in the Grande Prairie and Kaybob Regions were significantly interrupted by wildfires in the second quarter that necessitated the temporary shut-in of a number of fields and facilities. Although the wildfires did not result in any material property damage to Company owned assets or third-party infrastructure and have been extinguished, they had an estimated 12,000 Boe/d impact on second quarter 2023 production. This, combined with the impacts of other unplanned third-party facility downtime and the rescheduling of planned maintenance activities, resulted in first half 2023 sales volumes of 92,731 Boe/d (45% liquids) compared to prior guidance of 96,000 to 101,000 Boe/d (45% liquids).

In the second quarter of 2023:

- Sales volumes averaged 88,243 Boe/d (45% liquids), reflecting an estimated 12,000 Boe/d second quarter impact of the Alberta wildfires on production, compared to 97,269 Boe/d (45% liquids) in the first quarter of 2023.
 - Sales volumes in the Grande Prairie Region averaged 66,950 Boe/d (51% liquids) compared to 69,507 Boe/d (51% liquids) in the first quarter. Grande Prairie Region sales volumes were lower by an estimated 6,000 Boe/d in the second quarter as a result of the Alberta wildfires, the impact of which was largely offset by production from new wells. Despite the wildfires, the Company achieved record quarterly sales volumes at Karr of approximately 44,000 Boe/d.
 - Sales volumes in the Kaybob Region averaged 13,238 Boe/d (24% liquids) compared to 19,201 Boe/d (29% liquids) in the first quarter. Kaybob Region sales volumes were lower by an estimated 6,000 Boe/d in the second quarter as a result of the Alberta wildfires.
 - Sales volumes in the Central Alberta and Other Region averaged 8,055 Boe/d (30% liquids) compared to 8,561 Boe/d (32% liquids) in the first quarter.
- Cash from operating activities was \$172.2 million (\$1.20 per basic share) compared to \$271.4 million (\$1.91 per basic share) in the first quarter. Adjusted funds flow was \$178.7 million (\$1.25 per basic share), compared to \$268.2 million (\$1.89 per basic share) in the first quarter. ⁽¹⁾
- Free cash flow was \$30.5 million (\$0.21 per basic share) compared to \$59.8 million (\$0.42 per basic share) in the first quarter. ⁽¹⁾
- Capital expenditures totaled \$140.2 million compared to \$184.1 million in the first quarter and were focused on drilling and completion operations in the Grande Prairie and Kaybob Regions.
- Net (cash) debt was \$2.3 million at June 30, 2023 compared to (\$43.6) million at March 31, 2023. ⁽¹⁾
- Abandonment and reclamation expenditures totaled \$5.9 million compared to \$21.8 million in the first quarter of 2023. Activities in the second quarter included the abandonment of 28 wells and reclamation of 18 well sites.

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

UPDATED GUIDANCE

The wildfires will have a residual effect on second half 2023 sales volumes as the Company restores the last of the 2,500 Boe/d of production in the Kaybob Region that remained curtailed at quarter end and the operators of third-party processing facilities proceed with turnarounds that were rescheduled from the second quarter, including an 11-day planned outage in Wapiti. In addition, the onstream timing of nine (9.0 net) Duvernay wells on two separate pad sites at Kaybob North has been delayed, on average, by approximately four weeks due to second quarter evacuation orders associated with the wildfires.

The Company is revising its 2023 second half and annual sales volumes guidance to account for the impacts of the wildfires and the temporary shut-in of low margin dry natural gas production and its 2023 free cash flow guidance to reflect the revised sales volumes. 2023 capital expenditure guidance remains unchanged.

2023 Guidance

	Prior Guidance	Revised Guidance
Annual average sales volumes (Boe/d)	100,000 to 105,000 (46% liquids)	95,000 to 98,000 (46% liquids)
Second half average sales volumes (Boe/d)	104,000 to 109,000 (47% liquids)	98,000 to 102,000 (47% liquids)
Capital expenditures	\$700 to \$750 million (~50% to growth)	No change
Abandonment and reclamation expenditures	\$55 million	No change
Free cash flow ⁽¹⁾	\$335 million	\$185 million

The Company is reaffirming its preliminary 2024 sales volumes, capital expenditure and free cash flow guidance.

Preliminary 2024 Guidance ⁽²⁾

Annual average sales volumes (Boe/d)	110,000 to 120,000 (48% liquids)
Capital expenditures	\$700 to \$800 million (~50% to growth)
Abandonment and reclamation expenditures	\$40 million
Free cash flow ⁽³⁾	\$445 million

(1) Free cash flow is a capital management measure used by Paramount. Refer to "Advisories - Specified Financial Measures" for more information on this measure. The stated free cash flow forecast is based on the following assumptions for 2023: (i) the midpoint of stated capital expenditures and annual sales volumes, (ii) \$55 million in abandonment and reclamation costs, (iii) \$7 million in geological and geophysical expenses, (iv) realized pricing of \$53.55/Boe (US\$77.48/Bbl WTI, US\$3.14/MMBtu NYMEX, \$3.11/GJ AECO), (v) a \$US/\$CAD exchange rate of \$0.749, (vi) royalties of \$7.90/Boe, (vii) operating costs of \$12.60/Boe and (viii) transportation and processing costs of \$4.00/Boe. Assumed pricing of US\$80.00/Bbl WTI, US\$3.50/MMBtu NYMEX and \$3.08/GJ AECO and an assumed \$US/\$CAD exchange rate of \$0.755 for the second half of 2023 is unchanged from previous guidance, but the stated amounts have been adjusted to incorporate actual results for the first half of 2023.

(2) All 2024 guidance is based on preliminary planning and current market conditions and is subject to change.

(3) The stated free cash flow estimate is based on the following assumptions for 2024: (i) the midpoint of stated capital expenditures and sales volumes, (ii) \$40 million in abandonment and reclamation costs, (iii) \$7 million in geological and geophysical expenses, (iv) realized pricing of \$53.60/Boe (US\$75.00/Bbl WTI, US\$3.50/MMBtu NYMEX, \$3.08/GJ AECO), (v) a \$US/\$CAD exchange rate of \$0.755, (vi) royalties of \$8.10/Boe, (vii) operating costs of \$11.20/Boe and (viii) transportation and processing costs of \$3.60/Boe.

Paramount continues to expect that capital expenditures in 2023 and 2024 will be evenly split between sustaining and maintenance capital and growth capital. If required, the Company will utilize available capacity under its \$1.0 billion senior secured credit facility, which was undrawn at quarter end, to fund any portion of the 2023 growth capital not funded from adjusted funds flow. In 2024, based on forecast assumptions, the Company's total preliminary midpoint 2024 capital program, abandonment and reclamation expenditures, geological and geophysical expenses and regular monthly dividend would be fully funded from adjusted funds flow with an estimated excess of approximately \$230 million.

Paramount remains committed to prudently managing its capital resources and has the flexibility to adjust its capital expenditure plans depending on commodity prices, inflationary cost pressures and other factors.

CONSOLIDATED RESULTS

Net Income

Paramount recorded net income of \$74.2 million for the three months ended June 30, 2023 compared to net income of \$182.2 million in the same period in 2022. Significant factors contributing to the change are shown below:

Three months ended June 30	
Net income – 2022	182.2
• Lower netback in 2023	(139.7)
• Higher depletion and depreciation expense in 2023	(58.0)
• Gain on risk management contracts in 2023 compared to a loss in 2022	55.0
• Lower income tax expense in 2023	33.2
• Other	1.5
Net income – 2023	74.2

Paramount recorded net income of \$271.1 million for the six months ended June 30, 2023 compared to net income of \$198.9 million in the same period in 2022. Significant factors contributing to the change are shown below:

Six months ended June 30	
Net income – 2022	198.9
• Gain on risk management contracts in 2023 compared to a loss in 2022	205.0
• Higher gain on sale of oil and gas assets in 2023	120.8
• Lower exploration and evaluation expense in 2023	17.9
• Lower netback in 2023	(166.1)
• Higher depletion and depreciation expense in 2023	(80.3)
• Higher income tax expense in 2023	(19.3)
• Other	(5.8)
Net income – 2023	271.1

Cash From Operating Activities

Cash from operating activities for the three months ended June 30, 2023 was \$172.2 million compared to \$318.9 million in the same period in 2022. Significant factors contributing to the change are shown below:

Three months ended June 30	
Cash from operating activities – 2022	318.9
• Lower netback in 2023	(139.7)
• Change in non-cash working capital	(66.6)
• Lower payments on risk management contract settlements in 2023	59.2
• Other	0.4
Cash from operating activities – 2023	172.2

Cash from operating activities for the six months ended June 30, 2023 was \$443.4 million compared to \$493.9 million for the same period in 2022. Significant factors contributing to the change are shown below:

Six months ended June 30	
Cash from operating activities – 2022	493.9
• Lower netback in 2023	(166.1)
• Higher asset retirement obligations settled in 2023	(9.0)
• Receipts on risk management contract settlements in 2023 compared to payments in 2022	115.0
• Change in non-cash working capital	8.7
• Other	0.9
Cash from operating activities – 2023	443.4

Adjusted Funds Flow

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

	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Cash from operating activities	172.2	318.9	443.4	493.9
Change in non-cash working capital ⁽¹⁾	(1.5)	(68.1)	(31.4)	(22.7)
Geological and geophysical expense ⁽²⁾	2.1	1.9	4.6	4.4
Asset retirement obligations settled ⁽¹⁾	5.9	4.0	27.8	18.8
Provisions ⁽³⁾	–	1.6	2.5	1.6
Adjusted funds flow ⁽⁴⁾	178.7	258.3	446.9	496.0
Adjusted funds flow (\$/Boe) ⁽⁵⁾	22.25	36.71	26.63	34.38

(1) Refer to the "Interim Condensed Consolidated Statements of Cash Flows" in the Interim Financial Statements.

(2) Refer to Note 2 in the Interim Financial Statements.

(3) Refer to Note 13 in the Interim Financial Statements.

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

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

Adjusted funds flow for the three months ended June 30, 2023 was \$178.7 million compared to \$258.3 million in the same period in 2022. Significant factors contributing to the change are shown below:

Three months ended June 30	
Adjusted funds flow – 2022	258.3
• Lower netback in 2023	(139.7)
• Lower payments on risk management contract settlements in 2023	59.2
• Other	0.9
Adjusted funds flow – 2023	178.7

Adjusted funds flow for the six months ended June 30, 2023 was \$446.9 million compared to \$496.0 million in the same period in 2022. Significant factors contributing to the change are shown below:

Six months ended June 30	
Adjusted funds flow – 2022	496.0
• Lower netback in 2023	(166.1)
• Receipts on risk management contract settlements in 2023 compared to payments in 2022	115.0
• Other	2.0
Adjusted funds flow – 2023	446.9

Free Cash Flow

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

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Cash from operating activities	172.2	318.9	443.4	493.9
Change in non-cash working capital ⁽¹⁾	(1.5)	(68.1)	(31.4)	(22.7)
Geological and geophysical expense ⁽²⁾	2.1	1.9	4.6	4.4
Asset retirement obligations settled ⁽¹⁾	5.9	4.0	27.8	18.8
Provisions ⁽³⁾	–	1.6	2.5	1.6
Adjusted funds flow	178.7	258.3	446.9	496.0
Capital expenditures ⁽¹⁾	(140.2)	(184.1)	(324.3)	(301.2)
Geological and geophysical expense ⁽²⁾	(2.1)	(1.9)	(4.6)	(4.4)
Asset retirement obligations settled ⁽¹⁾	(5.9)	(4.0)	(27.8)	(18.8)
Free cash flow ⁽⁴⁾	30.5	68.3	90.2	171.6

(1) Refer to the "Interim Condensed Consolidated Statements of Cash Flows" in the Interim Financial Statements.

(2) Refer to Note 2 in the Interim Financial Statements.

(3) Refer to Note 13 in the Interim Financial Statements.

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

Free cash flow for the three months ended June 30, 2023 was \$30.5 million compared to \$68.3 million for the three months ended June 30, 2022. Significant factors contributing to the change are shown below:

Three months ended June 30	
Free cash flow – 2022	68.3
• Lower adjusted funds flow (described in "Adjusted Funds Flow" section above)	(79.6)
• Higher asset retirement obligations settled in 2023	(1.9)
• Higher geological and geophysical expense in 2023	(0.2)
• Lower capital expenditures in 2023	43.9
Free cash flow – 2023	30.5

Free cash flow for the six months ended June 30, 2023 was \$90.2 million compared to \$171.6 million for the six months ended June 30, 2022. Significant factors contributing to the change are shown below:

Six months ended June 30	
Free cash flow – 2022	171.6
• Lower adjusted funds flow (described in "Adjusted Funds Flow" section above)	(49.1)
• Higher capital expenditures in 2023	(23.1)
• Higher asset retirement obligations settled in 2023	(9.0)
• Higher geological and geophysical expense in 2023	(0.2)
Free cash flow – 2023	90.2

OPERATING RESULTS

Netback

	Three months ended				Six months ended			
	June 30		June 30		June 30		June 30	
	2023	2022	2023	2022	2023	2022	2023	2022
	(\$/Boe) ⁽¹⁾⁽²⁾		(\$/Boe) ⁽¹⁾⁽²⁾		(\$/Boe) ⁽¹⁾⁽²⁾		(\$/Boe) ⁽¹⁾⁽²⁾	
Natural gas revenue ⁽³⁾	64.1	2.43	164.0	6.75	186.1	3.37	291.1	5.96
Condensate and oil revenue ⁽³⁾	294.1	94.42	340.0	134.65	637.6	97.68	671.9	125.61
Other NGLs revenue ⁽³⁾	15.9	30.86	28.7	62.80	39.3	37.51	58.0	62.21
Royalty and other revenue ⁽³⁾	0.3	–	3.5	–	1.2	–	14.9	–
Petroleum and natural gas sales ⁽⁴⁾	374.4	46.63	536.2	76.22	864.2	51.49	1,035.9	71.80
Royalties ⁽⁴⁾	(41.2)	(5.12)	(85.2)	(12.11)	(110.3)	(6.57)	(161.4)	(11.19)
Operating expense ⁽⁴⁾	(104.6)	(13.03)	(88.7)	(12.61)	(213.5)	(12.72)	(177.9)	(12.33)
Transportation and NGLs processing ⁽⁴⁾	(33.6)	(4.19)	(30.8)	(4.37)	(70.0)	(4.17)	(62.1)	(4.31)
Sales of commodities purchased ⁽⁴⁾	47.7	5.94	42.7	6.06	162.8	9.70	91.4	6.33
Commodities purchased ⁽⁴⁾	(49.3)	(6.15)	(41.1)	(5.84)	(163.6)	(9.75)	(90.2)	(6.25)
Netback ⁽⁵⁾	193.4	24.08	333.1	47.35	469.6	27.98	635.7	44.05
Risk management contract settlements ⁽⁶⁾	(2.7)	(0.33)	(61.9)	(8.79)	3.5	0.21	(111.5)	(7.73)
Netback including risk management contract settlements ⁽⁷⁾	190.7	23.75	271.2	38.56	473.1	28.19	524.2	36.32

(1) Natural gas revenue shown per Mcf.

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

(3) Refer to Note 12 in the Interim Financial Statements. Royalty and other revenue for the three and six months ended June 30, 2022 includes \$1.3 million and \$11.9 million, respectively, related to a business interruption insurance claim.

(4) Refer to "Interim Condensed Consolidated Statements of Comprehensive Income" in the Interim Financial Statements.

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

(6) Refer to Note 11 in the Interim Financial Statements.

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

Petroleum and natural gas sales were \$374.4 million in the second quarter of 2023, a decrease of \$161.8 million from the second quarter of 2022. Petroleum and natural gas sales were \$864.2 million for the six months ended June 30, 2023, a decrease of \$171.7 million compared to the same period in 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 and other	Total
Three months ended June 30, 2022	164.0	340.0	28.7	3.5	536.2
Effect of changes in prices	(114.0)	(125.3)	(16.4)	–	(255.7)
Effect of changes in sales volumes	14.1	79.4	3.6	–	97.1
Change in royalty and other revenue	–	–	–	(3.2)	(3.2)
Three months ended June 30, 2023	64.1	294.1	15.9	0.3	374.4

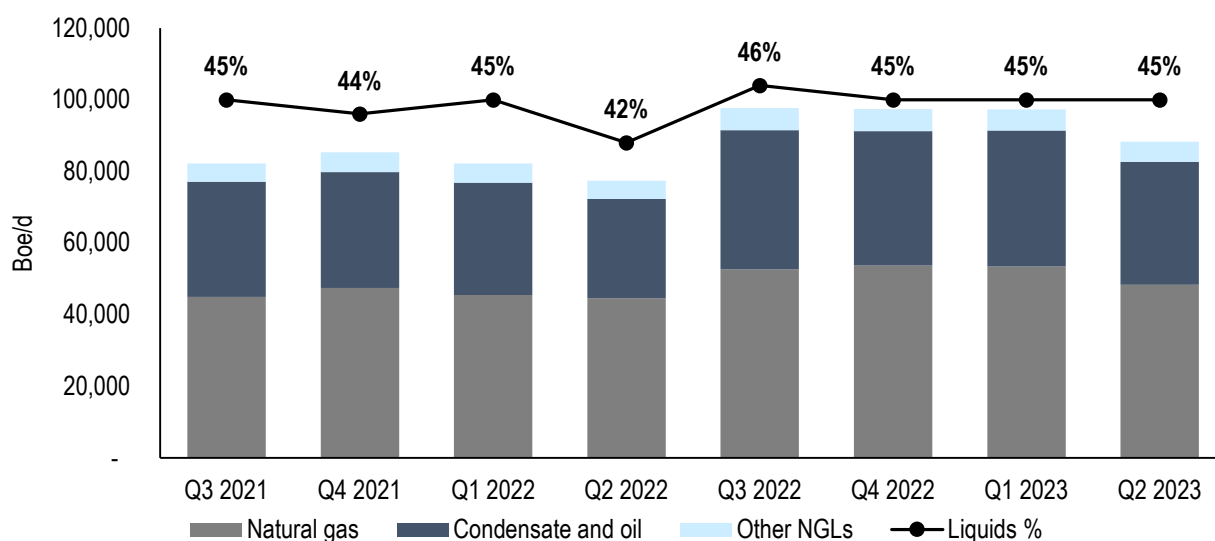
	Natural gas	Condensate and oil	Other NGLs	Royalty and other	Total
Six months ended June 30, 2022	291.1	671.9	58.0	14.9	1,035.9
Effect of changes in prices	(143.0)	(182.4)	(25.8)	–	(351.2)
Effect of changes in sales volumes	38.0	148.1	7.1	–	193.2
Change in royalty and other revenue	–	–	–	(13.7)	(13.7)
Six months ended June 30, 2023	186.1	637.6	39.3	1.2	864.2

Royalty and other revenue for the three and six months ended June 30, 2022 includes \$1.3 million and \$11.9 million, respectively, related to a business interruption insurance claim.

Sales Volumes

	Three months ended June 30											
	Natural gas (MMcf/d) ⁽¹⁾			Condensate and oil (Bbl/d) ⁽¹⁾			Other NGLs (Bbl/d) ⁽¹⁾			Total (Boe/d) ⁽¹⁾		
	2023	2022	% Chg	2023	2022	% Chg	2023	2022	% Chg	2023	2022	% Chg
Grande Prairie	196.4	139.8	40	30,205	22,516	34	4,012	2,914	38	66,950	48,736	37
Kaybob	60.1	94.6	(36)	2,330	4,291	(46)	891	1,585	(44)	13,238	21,642	(39)
Central Alberta and Other	33.7	32.8	3	1,695	943	80	745	522	43	8,055	6,934	16
Total	290.2	267.2	9	34,230	27,750	23	5,648	5,021	12	88,243	77,312	14

(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.



Sales volumes were 88,243 Boe/d (45% liquids) in the second quarter of 2023, reflecting an estimated 12,000 Boe/d impact on production of the Alberta wildfires, compared to 77,312 Boe/d (42% liquids) in the same period in 2022.

Grande Prairie Region sales volumes in the second quarter of 2023 increased 37 percent to 66,950 Boe/d (51% liquids), compared to 48,736 Boe/d (52% liquids) in the same period in 2022. The increase was mainly due to new wells brought onstream since the second quarter of 2022. Wildfires impacted Grande Prairie Region sales volumes by an estimated 6,000 Boe/d in the second quarter of 2023, including full shutdowns at Wapiti that lasted a total of approximately two weeks as well as other wildfire-related curtailments at Karr. Grande Prairie Region sales volumes in the second quarter of 2023 were also impacted by unplanned third-party facility outages and constraints and an eight-day 50 percent maintenance-related curtailment at the third-party operated Wapiti natural gas processing plant (the "Wapiti Plant"), which had originally been scheduled for the fourth quarter of 2023. Grande Prairie Region sales volumes in the second quarter of 2022 were impacted by approximately 14,000 Boe/d related to downtime associated with third-party midstream facilities.

Kaybob Region sales volumes averaged 13,238 Boe/d (24% liquids) in the second quarter of 2023 compared to 21,642 Boe/d (27% liquids) in the same period in 2022. Wildfires impacted Kaybob Region sales volumes by an estimated 6,000 Boe/d in the second quarter of 2023. Second quarter sales volumes were also approximately 2,800 Boe/d (42% liquids) lower due to the sale of the Company's Kaybob Smoky and Kaybob South Duvernay properties and certain other minor interests in January 2023 (the "Kaybob Disposition"). Additional information concerning the Kaybob Disposition is provided in this MD&A under "Operating Results – Other Items".

Sales volumes in the Central Alberta and Other Region were 8,055 Boe/d (30% liquids) in the second quarter of 2023 compared to 6,934 Boe/d (21% liquids) in the same period in 2022. The increase was mainly due to two Willesden Green Duvernay property acquisitions completed in 2022.

	Six months ended June 30											
	Natural gas (MMcf/d) ⁽¹⁾			Condensate and oil (Bbl/d) ⁽¹⁾			Other NGLs (Bbl/d) ⁽¹⁾			Total (Boe/d) ⁽¹⁾		
	2023	2022	% Chg	2023	2022	% Chg	2023	2022	% Chg	2023	2022	% Chg
Grande Prairie	200.4	146.1	37	30,783	24,272	27	4,043	3,089	31	68,222	51,720	32
Kaybob	70.7	92.0	(23)	3,479	4,287	(19)	939	1,572	(40)	16,203	21,186	(24)
Central Alberta and Other	34.2	32.0	7	1,801	994	81	799	487	64	8,306	6,805	22
Total	305.3	270.1	13	36,063	29,553	22	5,781	5,148	12	92,731	79,711	16

(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.

Sales volumes were 92,731 Boe/d (45% liquids) in the six months ended June 30, 2023 compared to 79,711 Boe/d (44% liquids) in the same period in 2022. The Alberta wildfires had an estimated 6,000 Boe/d impact on first half 2023 production.

Grande Prairie Region sales volumes were 68,222 Boe/d (51% liquids) for the six months ended June 30, 2023 compared to 51,720 Boe/d (53% liquids) in the same period in 2022. The increase was mainly due to new wells brought onstream since the second quarter of 2022. Wildfires impacted Grande Prairie Region sales volumes by an estimated 6,000 Boe/d in the second quarter of 2023, resulting in a corresponding estimated 3,000 Boe/d impact to first half 2023 sales volumes. Grande Prairie Region sales volumes in the first half of 2023 were also impacted by unplanned third-party facility outages and constraints and an eight-day 50 percent maintenance-related curtailment at the Wapiti Plant which had originally been scheduled for the fourth quarter of 2023. Grande Prairie Region sales volumes in the first half of 2022 were impacted by approximately 9,500 Boe/d related to downtime associated with third-party midstream facilities.

Kaybob Region sales volumes averaged 16,203 Boe/d (27% liquids) in the six months ended June 30, 2023 compared to 21,186 Boe/d (28% liquids) in the same period in 2022, reflecting an estimated 3,000 Boe/d first half 2023 impact from the Alberta wildfires and an estimated 2,800 Boe/d (42% liquids) impact from the Kaybob Disposition.

Sales volumes in the Central Alberta and Other Region were 8,306 Boe/d (31% liquids) in the six months ended June 30, 2023 compared to 6,805 Boe/d (22% liquids) in the same period of 2022. The increase was mainly due to two Willesden Green Duvernay property acquisitions completed in 2022.

Commodity Prices

	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
Natural Gas ⁽¹⁾						
Paramount realized natural gas price (\$/Mcf)	2.43	6.75	(64)	3.37	5.96	(43)
AECO daily spot (\$/GJ)	2.32	6.86	(66)	2.69	5.68	(53)
AECO monthly index (\$/GJ)	2.22	5.95	(63)	3.17	5.15	(38)
Dawn (\$/MMBtu)	2.80	9.28	(70)	3.25	7.46	(56)
NYMEX (US\$/MMBtu)	2.32	7.49	(69)	2.54	6.03	(58)
Malin daily index (US\$/MMBtu)	2.66	7.06	(62)	5.98	5.83	3
Condensate and Oil ⁽¹⁾						
Paramount realized condensate & oil price (\$/Bbl)	94.42	134.65	(30)	97.68	125.61	(22)
Edmonton light sweet crude oil (\$/Bbl)	94.99	136.34	(30)	97.36	127.00	(23)
Edmonton condensate (\$/Bbl)	93.25	132.11	(29)	100.12	127.18	(21)
West Texas Intermediate crude oil (US\$/Bbl)	73.80	108.41	(32)	74.97	101.35	(26)
Other NGLs ⁽¹⁾						
Paramount realized Other NGLs price (\$/Bbl)	30.86	62.80	(51)	37.51	62.21	(40)
Conway – propane (\$/Bbl)	37.24	65.27	(43)	40.91	66.85	(39)
Belvieu – butane (\$/Bbl)	44.05	80.62	(45)	53.45	82.54	(35)
Foreign Exchange						
\$CAD / 1 \$US	1.34	1.28	5	1.35	1.27	6

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

Paramount's natural gas portfolio primarily consists of sales priced at Alberta, British Columbia, California, Chicago, Ventura and Eastern Canada markets, which are sold in a combination of daily, monthly, seasonal and fixed-differential physical contracts. The Company's natural gas portfolio includes arrangements to sell approximately 60,000 GJ/d of natural gas at Dawn, to sell approximately 22,000 GJ/d of natural gas at Malin and 40,000 GJ/d of natural gas sales priced in the US Midwest.

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

Paramount's propane and butane volumes are sold under monthly and long-term contracts. Wider differentials in the contracts in place for 2023, along with lower benchmark prices, resulted in a decrease in the Company's Other NGLs price for the three and six months ended June 30, 2023 compared to the same periods in 2022.

The Company had the following basis differential physical contracts at June 30, 2023:

	Q3 2023	Q4 2023	Average Price ⁽¹⁾
Oil			
Sweet Crude Oil – Basis (Physical Sale) (Bbl/d) ⁽²⁾	3,078	3,078	WTI – US\$3.73/Bbl
Natural gas			
AECO – Basis (Physical Sale) (MMBtu/d)	50,000	16,848	NYMEX – US\$0.93/MMBtu
Dawn – Basis (Physical Sale) (MMBtu/d)	25,000	8,424	NYMEX – US\$0.20/MMBtu

(1) Average price is calculated using a weighted average of notional volumes and prices. "NYMEX" refers to NYMEX pricing at Henry Hub.

(2) Sweet crude oil located at the Peace Pipeline at Edmonton.

Risk Management Contracts

Commodity Contracts

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

	Six months ended June 30, 2023
Fair value, beginning of period	11.8
Changes in fair value	2.7
Settlements received	(14.5)
Fair value, end of period	-

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

	Six months ended June 30, 2023
Fair value, beginning of period	(9.8)
Changes in fair value	9.1
Settlements paid	11.0
Fair value, end of period	10.3

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

The Company had the following foreign currency exchange contracts at June 30, 2023:

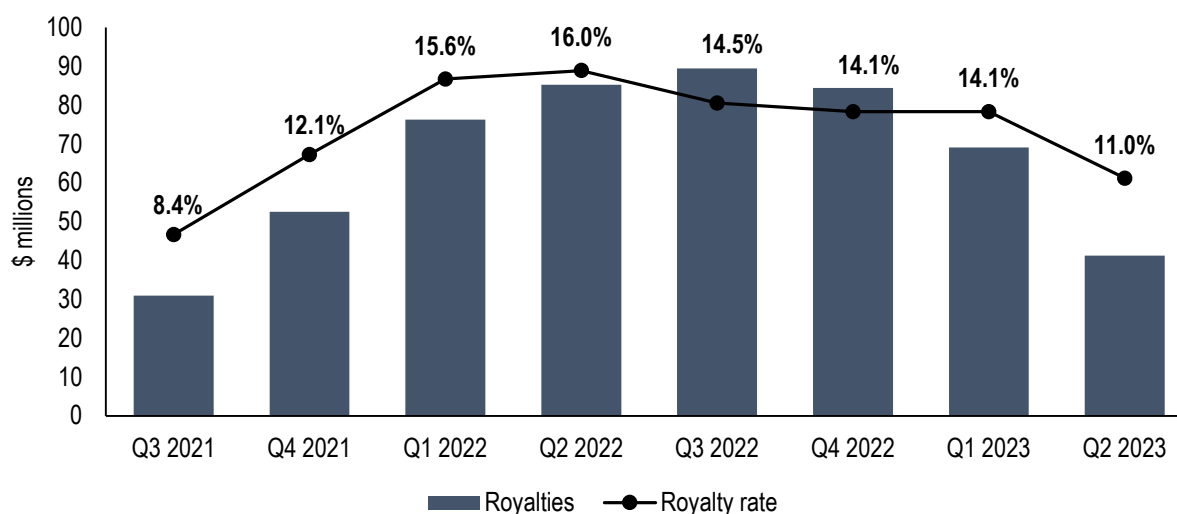
Instruments	Aggregate amount / notional	Average rate ⁽¹⁾	Remaining term
Swaps (Sale)	US\$40 million / month	1.3427 CAD\$/US\$1.00	July 2023 – December 2023
Swaps (Sale)	US\$30 million / month	1.3433 CAD\$/US\$1.00	January 2024 – June 2024
Swaps (Sale)	US\$10 million / month	1.3400 CAD\$/US\$1.00	July 2024 – December 2024

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

Royalties

	Three months ended June 30				Six months ended June 30			
	2023	Rate	2022	Rate	2023	Rate	2022	Rate
Royalties	41.2	11.0%	85.2	16.0%	110.3	12.8%	161.4	15.8%
\$/Boe ⁽¹⁾	5.12		12.11		6.57		11.19	

(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.

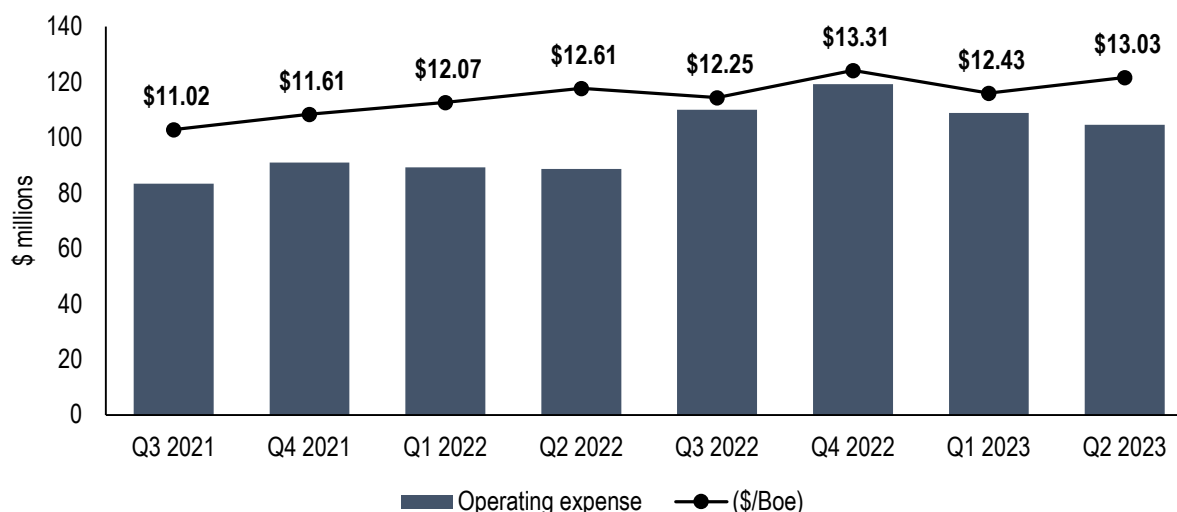


Royalties were \$41.2 million in the second quarter of 2023, \$44.0 million lower than the same period in 2022. Royalties for the six months ended June 30, 2023 were \$110.3 million compared to \$161.4 million in the same period in 2022. Royalties decreased in 2023 due to a combination of lower petroleum and natural gas sales, lower royalty rates and higher gas cost allowance. Royalty rates decreased in 2023 mainly due to lower commodity prices.

Operating Expense

	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
	Operating expense	104.6	88.7	18	213.5	177.9
\$/Boe ⁽¹⁾	13.03	12.61	3	12.72	12.33	3

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



Operating expenses were \$104.6 million in the second quarter of 2023 compared to \$88.7 million in the same period in 2022. Operating expenses were \$213.5 million in the first six months of 2023 compared to \$177.9 million in the same period in 2022. Operating expenses for the three and six months ended June 30, 2023 were higher mainly as a result of higher processing fees from increased production and higher rates as well as increased maintenance activities. These increases were partially offset by the impacts of the Kaybob Disposition. Operating expenses in 2023 were impacted by inflationary pressures particularly in processing fees and labour.

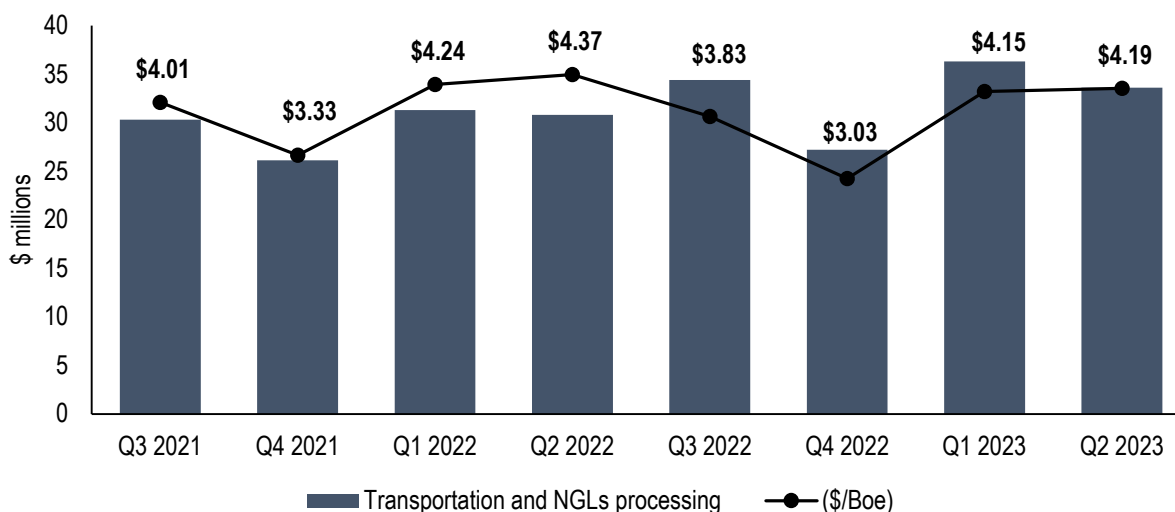
Second quarter 2023 operating expenses in the Grande Prairie Region were \$70.7 million or \$11.61/Boe compared to \$55.9 million or \$12.61/Boe for the same period in 2022. Grande Prairie operating costs for the six months ended June 30, 2023 were \$141.1 million or \$11.42/Boe compared to \$109.6 million or \$11.71/Boe for the same period in 2022. Per unit operating costs in 2023 in the Grande Prairie Region decreased mainly due to higher sales volumes partially offset by higher third-party processing fee rates.

Total Company operating expenses were \$13.03/Boe and \$12.72/Boe in the three and six months ended June 30, 2023, respectively, compared to \$12.61/Boe and \$12.33/Boe in the same periods in 2022, mainly due to the changes described above.

Transportation and NGLs Processing

	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
	Transportation and NGLs processing	33.6	30.8	9	70.0	62.1
\$/Boe ⁽¹⁾	4.19	4.37	(4)	4.17	4.31	(3)

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



Transportation and NGLs processing expense was \$33.6 million and \$70.0 million for the three and six months ended June 30, 2023, respectively, compared to \$30.8 million and \$62.1 million in the same periods in 2022. Transportation and NGLs processing costs increased in 2023 mainly as a result of higher production. Fourth quarter 2022 transportation and NGLs processing expense includes the impact of 13th month adjustments for volumes shipped in 2022.

Sales of Commodities Purchased and Commodities Purchased

	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
	Sales of commodities purchased	47.7	42.7	12	162.8	91.4
Commodities purchased	(49.3)	(41.1)	20	(163.6)	(90.2)	81

Paramount purchases commodities from third parties from time-to-time to fulfill sales commitments and for blending purposes. The Company sells these products to its customers. These transactions are presented as separate revenue and expense items in the consolidated statements of comprehensive income. For the three and six months ended June 30, 2023, a loss of \$2.4 million was incurred relating to purchases made to fulfill sales commitments as a result of reduced sales volumes from the Alberta wildfires.

Other Items

	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
Depletion and depreciation	79.7	71.7	176.9	144.3
Change in asset retirement obligations	1.8	(46.9)	6.2	(35.3)
Alberta site rehabilitation program funding	–	(1.3)	–	(6.2)
Exploration and evaluation expense	2.2	6.9	5.0	22.9
(Gain) loss on sale of oil and gas assets	(1.2)	0.2	(122.3)	(1.5)
Accretion of asset retirement obligations	10.9	11.1	21.6	21.9

Depletion and depreciation expense was \$79.7 million in the second quarter of 2023, compared to \$71.7 million in the same period of 2022. Depletion and depreciation expense was \$176.9 million in the six months ended June 30, 2023 compared to \$144.3 million in the same period in 2022. The increase in 2023 was attributable to both higher sales volumes and higher depletion rates.

For the six months ended June 30, 2023, the Company recorded a charge of \$6.2 million (June 30, 2022 – a recovery of \$35.3 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 2023, the changes resulted from revisions to the estimated costs. The changes in 2022 were mainly due to revisions in the credit-adjusted risk-free rate used to discount obligations.

Exploration and evaluation expense was \$2.2 million and \$5.0 million for the three and six months ended June 30, 2023, respectively, compared to \$6.9 million and \$22.9 million for the same periods in 2022. The decrease was primarily due to lower expenses related to expired mineral leases.

In January 2023, Paramount closed the Kaybob Disposition for cash proceeds of \$370.6 million. A gain of \$121.2 million was recognized on the sale. The properties sold had average sales volumes of approximately 4,700 Boe/d (13.8 MMcf/d of shale gas and 2,400 Bbl/d of NGLs) and a netback of approximately \$21 million in the fourth quarter of 2022, the last full quarter prior to sale. The assets and liabilities associated with the Kaybob Disposition were presented as held for sale at December 31, 2022.

Accretion of asset retirement obligations was \$10.9 million and \$21.6 million for the three and six months ended June 30, 2023, respectively, relatively consistent compared to \$11.1 million and \$21.9 million for the same periods in 2022.

ASSET RETIREMENT OBLIGATIONS

Paramount's strategy is to utilize the advantages of the Alberta Energy Regulator's area-based closure program to advance its abandonment and reclamation activities in an efficient and cost-effective manner by targeting its efforts in concentrated areas.

Abandonment and reclamation expenditures in the six months ended June 30, 2023 totaled \$27.8 million. Activities in 2023 included the abandonment of 61 wells and reclamation of 70 well sites, including 37 abandonments and 44 reclamation certificates under the Company's ongoing area-based closure programs at Zama and Hawkeye.

At June 30, 2023, estimated undiscounted, uninflated asset retirement obligations were \$1,287.2 million (December 31, 2022 – \$1,296.0 million). At June 30, 2023, the Company's discounted asset retirement obligations were \$543.1 million (discounted at 8.5 percent per annum and using an inflation rate of 2.0

percent per annum) compared to \$540.1 million at December 31, 2022 (discounted at 8.5 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 6 in the Interim Financial Statements.

OTHER ASSETS

Investments in Securities

As at	June 30, 2023	December 31, 2022
Level one fair value hierarchy securities	408.2	477.3
Level three fair value hierarchy securities	81.7	79.8
	489.9	557.1

Paramount holds investments in a number of publicly-traded and private corporations as part of its portfolio of investments. Investments that are categorized as level one fair value hierarchy securities ("Level One Securities") are carried at their period-end trading prices. Estimates of fair values for investments that are categorized as level three fair value hierarchy securities ("Level Three Securities") are based on valuation techniques that incorporate unobservable inputs.

For the three and six months ended June 30, 2023, the Company recorded a charge of \$8.8 million and \$67.5 million, respectively, before tax, to other comprehensive income related to changes in the fair value estimates of its investments in securities.

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

	Six months ended June 30, 2023	Twelve months ended December 31, 2022
Investments in securities, beginning of period	557.1	372.1
Changes in fair value of Level One Securities	(69.1)	222.4
Changes in fair value of Level Three Securities	1.6	12.9
Changes in fair value of warrants – recorded in earnings	0.3	0.4
Acquired – cash	–	1.8
Acquired – non-cash	–	4.3
Proceeds of dispositions – cash	–	(52.8)
Proceeds of dispositions – non-cash	–	(4.0)
Investments in securities, end of period	489.9	557.1

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

CORPORATE

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
General and administrative	12.1	10.2	27.1	19.5
Share-based compensation	4.3	1.5	11.3	9.0
Interest and financing	1.3	0.6	2.8	5.3
Deferred income tax expense	22.3	55.5	82.1	62.8
Other	(0.5)	0.1	(0.4)	0.9

General and administrative expense was \$12.1 million and \$27.1 million for the three and six months ended June 30, 2023, respectively, compared to \$10.2 million and \$19.5 million in the same periods in 2022. The increase in general and administrative expense in 2023 mainly related to higher employee incentive amounts and increased headcount.

Interest and financing expense was \$2.8 million for the six months ended June 30, 2023 compared \$5.3 million in the same period in 2022. The Company repaid all remaining drawings under its \$1.0 billion financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility") in January 2023 following the closing of the Kaybob Disposition. Interest and financing expense for the six months ended June 30, 2022 was reduced by \$5.3 million related to unrealized gains on the portion of the Company's interest rate swaps not accounted for as cash flow hedges.

Deferred income tax expense was \$22.3 million and \$82.1 million for the three and six months ended June 30, 2023, respectively, compared to \$55.5 million and \$62.8 million recorded in the same periods in 2022.

CAPITAL EXPENDITURES AND LAND AND PROPERTY ACQUISITIONS

Capital Expenditures

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Drilling, completion, equipping and tie-ins	111.4	138.0	253.1	242.9
Facilities and gathering	17.7	29.6	51.2	33.0
Drilling rigs	7.1	2.0	10.2	2.9
Corporate	4.0	14.5	9.8	22.4
Capital expenditures	140.2	184.1	324.3	301.2
Grande Prairie Region	66.0	107.2	187.1	184.0
Kaybob Region	45.5	57.9	84.4	89.1
Central Alberta and Other Region	17.1	0.8	22.7	0.9
Fox Drilling and Cavalier	7.6	3.7	20.3	4.8
Corporate	4.0	14.5	9.8	22.4
Capital expenditures	140.2	184.1	324.3	301.2

Land and Property Acquisitions

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Land and property acquisitions	25.7	37.8	52.3	67.0

Capital expenditures totaled \$140.2 million in the second quarter of 2023 compared to \$184.1 million in the same period in 2022. Capital expenditures totaled \$324.3 million in the first half of 2023 compared to \$301.2 million in the same period in 2022. Expenditures in the first six months of 2023 were mainly directed to drilling and completion programs in the Grande Prairie and Kaybob Regions. Significant capital program activities in the first half of 2023 included the following:

- In the Grande Prairie Region, the Company drilled 15 (15.0 net) operated wells, completed 17 (17.0 net) wells and brought-on production 16 (16.0 net) wells. In the second quarter of 2023, the Company also completed an infrastructure debottlenecking project to facilitate future production growth in the region.
- In the Kaybob Region, the Company drilled seven (6.4 net) wells, including five (5.0 net) Duvernay wells, and completed five (4.4 net) wells, including three (3.0 net) Duvernay wells.
- In the Central Alberta and Other Region, the Company commenced drilling of a four (4.0 net) well pad at Willesden Green and continued the liquids handling expansion at the Leafland natural gas processing plant.
- Fox Drilling and Cavalier capital expenditures included costs related to the construction of a fifth super-spec walking rig that is expected to be completed in the third quarter of 2023 and the drilling of two (2.0 net) wells and completion of one (1.0 net) well.

Land and property acquisitions totaled \$25.7 million in the second quarter of 2023 compared to \$37.8 million in the same period in 2022. Land and property acquisitions totaled \$52.3 million in the first half of 2023 compared to \$67.0 million in the same period in 2022.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

As at	June 30, 2023	December 31, 2022
Cash and cash equivalents	(38.6)	(2.5)
Accounts receivable ⁽¹⁾	(127.8)	(216.5)
Prepaid expenses and other	(24.2)	(9.1)
Accounts payable and accrued liabilities	192.9	229.9
Long-term debt	–	159.4
Net (cash) debt	2.3	161.2

(1) Excludes accounts receivable relating to lease incentives and subleases (June 30, 2023 – \$3.4 million, December 31, 2022 – \$6.7 million).

Net (cash) debt does not account for the \$489.9 million carrying value of the Company's investments in securities at June 30, 2023.

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

Based on the forecasts of 2023 sales volumes and the pricing assumptions set out in this MD&A under "Updated Guidance", Paramount expects to fully fund budgeted 2023 maintenance and sustaining capital expenditures, abandonment and reclamation expenditures, geological and geophysical expenses and regular monthly dividends from adjusted funds flow. Paramount may utilize borrowing capacity under the Paramount Facility for liquidity from time-to-time to fund portions of its budgeted 2023 growth capital expenditures.

The ability of adjusted funds flow to satisfy the Company's funding requirements in 2023 and future years is dependent on a number of factors, including commodity prices, sales volumes, royalties, operating and transportation costs, general and administrative and interest expenses and foreign currency exchange rates.

Paramount may also determine to divest of assets or investments in securities from time to time to reduce indebtedness or fund operations. In the first quarter of 2023, Paramount completed the Kaybob Disposition for cash proceeds of \$370.6 million and repaid all remaining drawings under the Paramount Facility. Subject to market conditions and availability, proceeds from new debt and/or equity financings may also provide additional sources of capital from time to time.

Paramount Facility

The Paramount Facility is a \$1.0 billion financial covenant-based senior secured revolving bank credit facility. The maturity date of the Paramount Facility is May 3, 2026. At Paramount's request, the credit limit of the Paramount Facility can be increased by up to \$250 million pursuant to an accordion feature in the facility, subject to incremental lender commitments.

Paramount was in compliance with the financial covenants under the Paramount Facility at June 30, 2023.

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling \$1.6 million at June 30, 2023 (December 31, 2022 – \$2.2 million) that reduce the amount available to be drawn on the facility.

For additional information concerning the Paramount Facility, refer to Note 8 of the Annual Financial Statements.

Unsecured Letter of Credit Facility

The Company has a \$90 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank. Paramount's obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada ("EDC"). The PSG is valid to June 30, 2025. At June 30, 2023, \$27.0 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2022 – \$24.2 million).

Cash Flow Hedges

The Company had the following floating-to-fixed electricity swaps at June 30, 2023:

Contract type	Aggregate notional	Remaining term	Average fixed contract rate	Reference ⁽¹⁾	Fair value
Electricity Swaps	240 MWh/d	July 2023 – December 2023	\$84.00/MWh	AESO Pool Price	4.9
Electricity Swaps	240 MWh/d	January 2024 – December 2024	\$66.13/MWh	AESO Pool Price	2.5
Electricity Swaps	120 MWh/d	January 2025 – December 2025	\$73.25/MWh	AESO Pool Price	0.1
					7.5

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

The Company has classified its floating-to-fixed electricity swaps as cash flow hedges and applied hedge accounting. There were no changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified at June 30, 2023.

Share Capital

At July 28, 2023, Paramount had 143.2 million Common Shares outstanding (net of 0.3 million Common Shares held in trust under the Company's restricted share unit plan) and 10.6 million options to acquire Common Shares outstanding, of which 2.3 million options are exercisable.

For the six months ended June 30, 2023, Paramount issued 0.7 million Common Shares on the exercise of options to acquire Common Shares.

Dividends

Paramount declared total dividends of \$1.75 per Common Share, or \$250.2 million, in the six months ended June 30, 2023 (June 30, 2022 – \$0.48 per Common Share or \$67.9 million), comprised of a special dividend of \$1.00 per Common Share and aggregate regular monthly dividends of \$0.75 per Common Share. The Company also paid a regular monthly dividend of \$0.125 per Common Share on July 31, 2023 to shareholders of record on July 17, 2023.

Normal Course Issuer Bid

In July 2023, Paramount implemented a normal course issuer bid (the "2023 NCIB") under which the Company may purchase up to 7.7 million Common Shares for cancellation. The 2023 NCIB will terminate on the earlier of July 5, 2024 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2023 NCIB are purchased. Purchases of Common Shares under the NCIB will be made through the facilities of the Toronto Stock Exchange or alternative Canadian trading systems at the market price at the time of purchase. The Company has not made any purchases of Common Shares under the 2023 NCIB to date.

Pursuant to the rules of the TSX, the Company may purchase a maximum of 80,918 Common Shares under the 2023 NCIB in any one day. Paramount may also make one block purchase per calendar week which exceeds such daily purchase limit, subject to the rules of the TSX. Any Common Shares purchased pursuant to the 2023 NCIB will be cancelled by the Company. Any shareholder may obtain, for no charge, a copy of the notice in respect of the 2023 NCIB filed with the TSX by contacting the Company at 403-290-3600.

Paramount previously implemented a normal course issuer bid in June 2022. No shares were purchased under this normal course issuer bid, which expired on June 29, 2023.

QUARTERLY INFORMATION

	2023		2022				2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Petroleum and natural gas sales	374.4	489.7	597.7	618.9	536.2	499.6	434.5	369.2
Revenue	380.9	535.7	616.0	607.4	493.7	472.2	404.1	369.6
Net income	74.2	197.0	259.9	221.9	182.2	16.6	101.0	292.7
Per share – basic (\$/share)	0.52	1.39	1.83	1.57	1.29	0.12	0.75	2.20
Per share – diluted (\$/share)	0.50	1.33	1.76	1.51	1.24	0.11	0.70	2.06
Cash from operating activities ⁽¹⁾	172.2	271.4	306.9	248.9	318.9	174.9	191.8	97.0
Per share – basic (\$/share)	1.20	1.91	2.17	1.76	2.26	1.25	1.42	0.73
Per share – diluted (\$/share)	1.16	1.84	2.08	1.69	2.16	1.20	1.33	0.68
Adjusted funds flow ⁽¹⁾	178.7	268.2	340.7	334.3	258.3	237.8	174.6	148.4
Per share – basic (\$/share)	1.25	1.89	2.40	2.37	1.83	1.70	1.29	1.12
Per share – diluted (\$/share)	1.21	1.81	2.31	2.27	1.75	1.63	1.21	1.04
Free cash flow ⁽¹⁾	30.5	59.8	162.0	137.5	68.3	103.4	99.0	73.8
Per share – basic (\$/share)	0.21	0.42	1.14	0.97	0.48	0.74	0.73	0.56
Per share – diluted (\$/share)	0.21	0.40	1.10	0.93	0.46	0.71	0.69	0.52
Dividends declared (\$/share)	0.375	1.375	0.35	0.30	0.28	0.20	0.14	0.06
Sales volumes								
Natural gas (MMcf/d)	290.2	320.6	321.9	315.9	267.2	272.9	284.8	269.7
Condensate and oil (Bbl/d)	34,230	37,916	37,580	38,804	27,750	31,375	32,342	32,177
Other NGLs (Bbl/d)	5,648	5,916	6,143	6,144	5,021	5,276	5,462	5,017
Total (Boe/d)	88,243	97,269	97,370	97,601	77,312	82,137	85,265	82,150
Liquids %	45%	45%	45%	46%	42%	45%	44%	45%
Realized prices ⁽¹⁾								
Natural gas (\$/Mcf)	2.43	4.23	6.56	6.39	6.75	5.18	4.76	3.89
Condensate and oil (\$/Bbl)	94.42	100.66	108.50	112.56	134.65	117.53	94.46	84.42
Other NGLs (\$/Bbl)	30.86	43.93	48.25	51.20	62.80	61.64	54.61	47.05
Petroleum and natural gas (\$/Boe)	46.63	55.94	66.72	68.92	76.22	67.59	55.40	48.86

(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 production volumes and realized prices.

- Second quarter 2023 earnings include the impacts of the Alberta wildfires on production volumes and netback.
- First quarter 2023 earnings include a \$121.1 million gain on the sale of oil and gas assets.
- Fourth quarter 2022 earnings include deferred income tax expense of \$68.5 million, a provision reversal of \$24.0 million and \$6.9 million related to the impacts of terminating \$500 million of floating-to-fixed interest rate swaps in December 2022.
- Third quarter 2022 earnings include the impacts of higher production volumes and petroleum and natural gas sales revenue.

- Second quarter 2022 earnings include deferred income tax expense of \$55.5 million, a recovery of \$46.9 million related to changes in the discounted carrying value of asset retirement obligations in respect of properties that had a nil carrying value and a \$41.3 million loss on risk management contracts.
- First quarter 2022 earnings include a \$152.0 million loss on risk management contracts.
- Fourth quarter 2021 earnings include a charge of \$19.9 million related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value and a \$14.1 million loss on risk management contracts.
- Third quarter 2021 earnings include aggregate impairment reversals of \$282.6 million from previously recorded impairment charges of petroleum and natural gas assets and a \$32.3 million gain on the sale of oil and gas assets, partially offset by a \$47.0 million loss on risk management contracts.

OTHER INFORMATION

Contractual Obligations

Paramount had the following contractual obligations at June 30, 2023: ⁽¹⁾

	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
Transportation and processing commitments	239.6	470.2	410.0	966.4	2,086.2
Asset retirement obligations ⁽²⁾	43.9	74.5	63.5	1,105.3	1,287.2
Finance lease and other commitments	36.2	13.5	8.0	24.1	81.8
	319.7	558.2	481.5	2,095.8	3,455.2

(1) Excludes accounts payable and accrued liabilities.

(2) Undiscounted, uninflated asset retirement obligations estimated as at June 30, 2023. Estimated costs and timing of settlement are revised from time-to-time based on new information.

In 2023, the Company secured incremental long-term firm-service transportation and processing capacity with a third-party.

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 currently anticipate that these claims will have a material impact on its financial position.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the three months ended June 30, 2023, there was no change in the Company's internal control over financial reporting ("ICFR") that materially affected, or is reasonably likely to materially affect, the Company's ICFR.

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

RISK FACTORS

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

Global economies, including that of Canada, have been experiencing inflation across broad categories of goods and services. In addition, the Russian invasion of the Ukraine has resulted in additional volatility in global financial and commodity markets and has increased the potential for supply chain constraints and disruptions.

The Company continues to monitor its supply chain and the availability and cost of materials and third-party services. While the Company has not, to date, experienced material interruptions in the availability of supplies or services, it has experienced inflationary cost pressures across its operations. Paramount has responded to these pressures by seeking additional efficiencies in its capital program and operations and through advance planning and ordering aimed at mitigating future cost increases and potential shortages of supplies and services. However, these response measures have not fully offset the inflationary cost pressures that have been experienced.

The existence and economic impact of these conditions and the response thereto increases the Company's exposure to the risks described in the Risk Factors of the Annual Information Form section under "Volatility of NGLs, Natural Gas and Oil Prices and Price Differentials", "Uncertainty as to Costs", "Availability of Equipment, Materials and Services", "Market Price of Common Shares", "Investment Risk" and "Hedging, Interest Rates and Foreign Currency Exchange Rates".

PRODUCT TYPE INFORMATION

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

	2023		2022				2021		YTD	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	2023	2022
SALES VOLUMES – TOTAL COMPANY BY PRODUCT TYPE										
Shale gas (MMcf/d)	246.0	265.2	260.0	253.8	203.7	213.1	220.4	207.1	255.5	208.4
Conventional natural gas (MMcf/d)	44.2	55.4	61.9	62.1	63.5	59.8	64.4	62.6	49.8	61.7
Natural gas (MMcf/d)	290.2	320.6	321.9	315.9	267.2	272.9	284.8	269.7	305.3	270.1
Condensate (Bbl/d)	32,341	34,706	34,616	35,747	25,374	29,064	29,797	29,670	33,517	27,209
Other NGLs (Bbl/d)	5,648	5,916	6,143	6,144	5,021	5,276	5,462	5,017	5,781	5,148
NGLs (Bbl/d)	37,989	40,622	40,759	41,891	30,395	34,340	35,259	34,687	39,298	32,357
Light and medium crude oil (Bbl/d)	942	2,151	2,335	2,608	1,974	1,874	2,048	2,032	1,544	1,925
Tight oil (Bbl/d)	538	599	629	449	402	437	497	475	568	419
Heavy crude oil (Bbl/d)	409	460	–	–	–	–	–	–	434	–
Crude oil (Bbl/d)	1,889	3,210	2,964	3,057	2,376	2,311	2,545	2,507	2,546	2,344
Total (Boe/d)	88,243	97,269	97,370	97,601	77,312	82,137	85,265	82,150	92,731	79,711

SALES VOLUMES – BY REGION BY PRODUCT TYPE

GRANDE PRAIRIE REGION										
Shale gas (MMcf/d)	196.1	204.0	188.4	188.2	138.8	151.4	156.5	145.8	200.0	145.1
Conventional natural gas (MMcf/d)	0.3	0.4	1.5	1.4	1.0	1.1	2.4	2.2	0.4	1.0
Natural gas (MMcf/d)	196.4	204.4	189.9	189.6	139.8	152.5	158.9	148.0	200.4	146.1
Condensate (Bbl/d)	30,046	31,367	29,146	30,610	22,511	26,042	26,272	26,639	30,703	24,267
Other NGLs (Bbl/d)	4,012	4,074	3,631	3,758	2,914	3,267	3,276	3,274	4,043	3,089
NGLs (Bbl/d)	34,058	35,441	32,777	34,368	25,425	29,309	29,548	29,913	34,746	27,356
Light and medium crude oil (Bbl/d)	–	–	–	5	5	6	6	9	–	5
Tight oil (Bbl/d)	159	–	–	–	–	–	–	–	80	–
Crude oil (Bbl/d)	159	–	–	5	5	6	6	9	80	5
Total (Boe/d)	66,950	69,507	64,434	65,981	48,736	54,737	56,035	54,586	68,222	51,720

KAYBOB REGION

Shale gas (MMcf/d)	21.7	31.8	41.9	38.5	37.9	35.7	35.6	36.9	26.7	36.8
Conventional natural gas (MMcf/d)	38.4	49.6	55.0	54.8	56.7	53.6	56.8	54.4	44.0	55.2
Natural gas (MMcf/d)	60.1	81.4	96.9	93.3	94.6	89.3	92.4	91.3	70.7	92.0
Condensate (Bbl/d)	1,301	2,315	4,354	4,157	2,092	2,130	2,184	2,072	1,804	2,111
Other NGLs (Bbl/d)	891	988	1,671	1,666	1,585	1,558	1,788	1,415	939	1,572
NGLs (Bbl/d)	2,192	3,303	6,025	5,823	3,677	3,688	3,972	3,487	2,743	3,683
Light and medium crude oil (Bbl/d)	914	2,121	2,045	2,434	1,946	1,832	2,000	1,979	1,515	1,890
Tight oil (Bbl/d)	115	206	262	208	253	322	355	368	160	286
Crude oil (Bbl/d)	1,029	2,327	2,307	2,642	2,199	2,154	2,355	2,347	1,675	2,176
Total (Boe/d)	13,238	19,201	24,477	24,021	21,642	20,726	21,725	21,054	16,203	21,186

	2023		2022				2021		YTD	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	2023	2022
CENTRAL ALBERTA AND OTHER REGION										
Shale gas (MMcf/d)	28.2	29.4	29.7	27.1	27.0	26.0	28.2	24.4	28.8	26.5
Conventional natural gas (MMcf/d)	5.5	5.4	5.4	5.9	5.8	5.1	5.3	6.0	5.4	5.5
Natural gas (MMcf/d)	33.7	34.8	35.1	33.0	32.8	31.1	33.5	30.4	34.2	32.0
Condensate (Bbl/d)	994	1,024	1,116	980	771	892	1,341	959	1,010	831
Other NGLs (Bbl/d)	745	854	841	720	522	451	398	328	799	487
NGLs (Bbl/d)	1,739	1,878	1,957	1,700	1,293	1,343	1,739	1,287	1,809	1,318
Light and medium crude oil (Bbl/d)	28	30	290	169	23	36	42	44	29	30
Tight oil (Bbl/d)	264	393	367	241	149	115	142	107	328	133
Heavy crude oil (Bbl/d)	409	460	-	-	-	-	-	-	434	-
Crude oil (Bbl/d)	701	883	657	410	172	151	184	151	791	163
Total (Boe/d)	8,055	8,561	8,459	7,599	6,934	6,674	7,505	6,510	8,306	6,805

The Company forecasts that 2023 annual sales volumes will average between 95,000 Boe/d and 98,000 Boe/d (54% shale gas and conventional natural gas combined, 40% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% other NGLs). Second half 2023 sales volumes are expected to average between 98,000 Boe/d and 102,000 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). The Company's preliminary 2024 guidance provides for annual sales volumes that will average between 110,000 Boe/d and 120,000 Boe/d (52% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 7% other NGLs).

SPECIFIED FINANCIAL MEASURES

Non-GAAP Financial Measures

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

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

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

A calculation of netback and netback including risk management contract settlements for the three and six months ended June 30, 2023 and 2022 is provided in this MD&A under "Operating Results - Netback".

Non-GAAP Ratios

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

Netback on a \$/Boe basis is calculated by dividing netback for the applicable period by the total production 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 production 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 production basis.

Capital Management Measures

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

A reconciliation of adjusted funds flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three and six months ended June 30, 2023 and 2022 is provided in this MD&A under "Consolidated Results – Adjusted Funds Flow".

A reconciliation of free cash flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three and six months ended June 30, 2023 and 2022 is provided in this MD&A under "Consolidated Results – Free Cash Flow".

A calculation of net (cash) debt as at June 30, 2023 and December 31, 2022 is provided in this MD&A under "Liquidity and Capital Resources". The label of the net (cash) debt capital management measure has been revised from the previous label of net debt to allow for the description of negative amounts as net (cash). Paramount's net debt to adjusted funds flow (determined on a trailing four quarter basis) was considered not meaningful at June 30, 2023, as the Company's net debt was \$2.3 million and adjusted funds flow for the trailing four quarters was \$1,121.9 million (December 31, 2022 – 0.9x).

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 the 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 the 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) produced during such period.

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

ADVISORIES

Forward-looking Information

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

- forecast sales volumes for 2023 and certain periods therein;
- planned capital expenditures in 2023;
- planned abandonment and reclamation expenditures in 2023;
- forecast free cash flow in 2023;
- preliminary 2024 sales volumes, capital expenditures, abandonment and reclamation expenditures and free cash flow guidance;
- the expectation that capital expenditures in 2023 and 2024 will be evenly split between sustaining and maintenance capital and growth capital;
- the statement that the Company will, if required, utilize available capacity under the Company's \$1.0 billion senior secured credit facility to fund any portion of the 2023 growth capital not funded from adjusted funds flow;
- the statement that, based on forecast assumptions, the Company's total preliminary midpoint 2024 capital program, abandonment and reclamation expenditures, geological and geophysical expenses and regular monthly dividend would be fully funded from adjusted funds flow with an estimated excess of \$230 million;
- the expected timing of the completion of a fifth super-spec walking rig;
- the expectation that the Company will fully fund budgeted 2023 maintenance and sustaining capital expenditures, abandonment and reclamation expenditures, geological and geophysical expenses and regular monthly dividends from adjusted funds flow;
- the anticipation that legal proceedings will not have a material impact on Paramount's financial position; and
- the potential payment of future dividends.

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

- future commodity prices;
- the impact of the Russian invasion of Ukraine;
- 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 required capital to fund its exploration, development and other operations and meet its 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 product processing, transportation, fractionation and storage capacity on acceptable terms and the capacity and reliability of facilities;
- 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 production volumes, reserves additions, product yields and resource recoveries) and operational improvements, efficiencies and results consistent with expectations;
- the timely receipt of required governmental and regulatory approvals, including approvals required for the expansion and construction of facilities at Willesden Green;
- 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 drilling programs and other operations (including well completions and tie-ins, the construction, commissioning and start-up of new and expanded facilities, including facilities at Willesden Green, and facility turnarounds and maintenance).

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

- those risks set out in this MD&A under "Risk Factors";
- fluctuations in commodity prices;
- changes in capital spending plans and planned exploration and development activities;
- the potential for changes to preliminary 2024 sales volumes, capital expenditures, abandonment and reclamation expenditures and free cash flow guidance prior to finalization;
- changes in foreign currency exchange rates, interest rates and the rate of inflation;
- the uncertainty of estimates and projections relating to future production, revenue, free cash flow, reserves additions, product yields (including condensate to natural gas ratios), resource recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate product processing, transportation, fractionation, and storage capacity on acceptable terms;
- operational risks in exploring for, developing, producing and transporting sales volumes, including the risk of spills, leaks or blowouts;
- the ability to obtain equipment, materials, services and personnel in a timely manner and at expected and acceptable costs, including the potential effects of inflation and supply chain disruptions;

- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities (including third-party facilities);
- processing, pipeline and fractionation infrastructure outages, disruptions and constraints;
- risks and uncertainties that may result in changes to the planned expansion and construction of a new facilities at Willesden Green, including the potential for changes to facility design or the timelines for construction prior to finalization or the failure to obtain required governmental and regulatory approvals;
- 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 product 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 enter into and maintain leases and licenses;
- the effects of weather and other factors including wildlife and environmental restrictions which affect field operations and access;
- uncertainties as to the timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- uncertainties regarding Indigenous claims and in maintaining relationships with local populations and other stakeholders;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities.

There are risks that may result in the Company changing, suspending or discontinuing its monthly dividend program, including changes to free cash flow, operating results, capital requirements, financial position, market conditions or corporate strategy and the need to comply with requirements under debt agreements and applicable laws respecting the declaration and payment of dividends. 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, 2022, which is available on SEDAR at www.sedar.com. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, Paramount undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

Certain forward-looking information in this MD&A, including forecast free cash flow in 2023 and future periods, may also constitute a "financial outlook" within the meaning of applicable securities laws. A financial outlook involves statements about Paramount's prospective financial performance or position and is based on and subject to the assumptions and risk factors described above in respect of forward-looking information generally as well as any other specific assumptions and risk factors in relation to such financial outlook noted in this MD&A. Such assumptions are based on management's assessment of the relevant information currently available and any financial outlook included in this MD&A is provided for the purpose of helping readers understand Paramount's current expectations and plans for the future. Readers are cautioned that reliance on any financial outlook may not be appropriate for other purposes or in other

circumstances and that the risk factors described above or other factors may cause actual results to differ materially from any financial outlook.

Oil and Gas Measures and Definitions

Liquids		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 six months ended June 30, 2023, the value ratio between crude oil and natural gas was approximately 31:1. 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.