



Paramount
resources ltd.

Management's Discussion and Analysis
For the three months ended March 31, 2019

This Management's Discussion and Analysis ("MD&A"), dated May 7, 2019 should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements (the "Interim Financial Statements") of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the three months ended March 31, 2019 and Paramount's audited Consolidated Financial Statements as at and for the year ended December 31, 2018 (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, except for changes as a result of adopting *IFRS 16 – Leases* ("IFRS 16") effective January 1, 2019, which are described in the Changes in Accounting Policies section of this document. Paramount voluntarily changed its accounting policy with respect to the discounting of asset retirement obligations ("ARO") effective December 31, 2018 and, as a result, certain comparative information has been restated in this MD&A. Refer to the Annual Financial Statements for a description of the impact of the change in the Company's ARO accounting policy on the Company's financial statements.

The disclosures in this document include forward-looking information, non-GAAP measures and certain oil and gas measures. Readers are referred to the Advisories section of this document concerning such matters. Additional information concerning Paramount, including its Annual Information Form, can be found on the SEDAR website at www.sedar.com.

ABOUT PARAMOUNT

Paramount is an independent, publicly traded, liquids-focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas resources. The Company also pursues long-term strategic exploration and pre-development plays and holds a portfolio of investments in other entities. Paramount's principal properties are located in Alberta and British Columbia. The Company's Class A Common Shares ("Common Shares") are listed on the Toronto Stock Exchange under the symbol "POU".

The Company'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 is focused on Montney and Duvernay developments at Kaybob, Smoky River, Pine Creek and Ante Creek; and
- the Central Alberta and Other Region, which includes Duvernay development plays in southern Alberta at Willesden Green and the East Shale Basin, and lands and production in northern Alberta and British Columbia.

Paramount also holds a portfolio of: (i) investments in other entities; (ii) investments in exploration and development stage assets, including oil sands and carbonate bitumen interests held by Paramount's wholly-owned subsidiary Cavalier Energy and prospective shale gas acreage in the Liard and Horn River Basins (the "Shale Gas Project"); and (iii) drilling rigs owned by Paramount's wholly-owned limited partnership, Fox Drilling Limited Partnership.

FINANCIAL AND OPERATING HIGHLIGHTS ⁽¹⁾

Three months ended March 31	2019	2018	% Change
FINANCIAL			
Petroleum and natural gas sales	246.1	269.8	(9)
Net loss ⁽²⁾	(76.7)	(64.6)	19
<i>per share – basic & diluted (\$/share)</i>	(0.59)	(0.48)	
Adjusted funds flow	100.5	97.6	3
<i>per share – basic & diluted (\$/share)</i>	0.77	0.73	
Exploration and development capital ⁽³⁾	100.6	131.6	(24)
Total assets ⁽²⁾	4,108.0	4,386.6	(6)
Net debt	903.3	705.7	28
OPERATIONAL			
Sales volumes			
Natural gas (MMcf/d)	308.0	351.1	(12)
Condensate and oil (Bbl/d)	23,679	25,391	(7)
Other NGLs (Bbl/d) ⁽⁴⁾	6,284	8,298	(24)
Total (Boe/d)	81,296	92,203	(12)
Net wells drilled	18	19	(5)
ADJUSTED FUNDS FLOW (\$/Boe)			
Petroleum and natural gas sales	33.63	32.51	3
Royalties	(2.10)	(1.93)	9
Operating expense	(12.35)	(11.12)	11
Transportation and NGLs processing ⁽⁵⁾	(3.36)	(3.26)	3
Netback	15.82	16.20	(2)
Commodity contract settlements	0.77	(1.48)	(152)
Netback including commodity contract settlements	16.59	14.72	13
General and administrative	(1.88)	(2.19)	(14)
Interest and financing expense	(1.26)	(1.05)	20
Other	0.29	0.28	4
Adjusted funds flow	13.74	11.76	17

(1) Readers are referred to the advisories concerning Non-GAAP measures and Oil and Gas Measures and Definitions in the Advisories section of this document and to the reconciliations of such Non-GAAP measures to their most directly comparable measure under GAAP in the applicable sections of this document. This table contains the following Non-GAAP measures: Adjusted Funds Flow, Exploration and Development Capital, Net Debt and Netback.

(2) 2018 restated, refer to Note 1 and 22 of the Annual Financial Statements.

(3) Exploration and development capital consists of expenditures related to property, plant and equipment and exploration and evaluation assets, excluding expenditures related to land, property acquisitions and corporate assets.

(4) Other NGLs means ethane, propane and butane.

(5) Includes downstream transportation costs and NGLs fractionation costs.

CONSOLIDATED RESULTS

Net Loss

Paramount recorded a net loss of \$76.7 million for the three months ended March 31, 2019 compared to a net loss of \$64.6 million in the same period in 2018. Significant factors contributing to the change are shown below:

Three months ended March 31	
Net loss – 2018 ⁽¹⁾	(64.6)
<ul style="list-style-type: none"> • Higher loss on commodity contracts • Lower netback in 2019, mainly due to lower sales volumes and lower liquids prices, partially offset by higher natural gas prices • Closure costs provision recognized in respect of the Zama field in 2019 • Lower income tax recovery • Lower depletion and depreciation mainly due to the depletion rate methodology change in the fourth quarter of 2018 and lower sales volumes in 2019 • Lower general and administrative expense in 2019 • Other 	(25.1) (18.8) (13.4) (7.9) 50.4 4.5 (1.8)
Net loss – 2019	(76.7)

(1) 2018 restated, refer to Note 1 and 22 of the Annual Financial Statements.

Adjusted Funds Flow ⁽¹⁾

The following is a reconciliation of adjusted funds flow to the nearest GAAP measure:

Three months ended March 31	2019	2018
Cash from operating activities	88.5	85.2
Change in non-cash working capital	3.2	(3.5)
Transaction and reorganization costs	–	2.2
Geological and geophysical expenses	3.0	5.2
Asset retirement obligations settled	5.8	8.5
Adjusted funds flow	100.5	97.6
Adjusted funds flow (\$/Boe)	13.74	11.76

(1) Refer to the advisories concerning non-GAAP measures in the Advisories section of this document.

Adjusted funds flow for the three months ended March 31, 2019 was \$100.5 million compared to \$97.6 million for the same period in 2018. Significant factors contributing to the change are shown below:

Three months ended March 31	
Adjusted funds flow – 2018	97.6
<ul style="list-style-type: none"> • Lower netback in 2019, mainly due to lower sales volumes and lower liquids prices, partially offset by higher natural gas prices • Receipts on commodity contract settlements in 2019 compared to payments in 2018 • Lower general and administrative expense in 2019 • Other 	(18.8) 17.9 4.5 (0.7)
Adjusted funds flow – 2019	100.5

OPERATING RESULTS

Netback

Three months ended March 31	2019		2018	
		(\$/Boe) ⁽¹⁾		(\$/Boe) ⁽¹⁾
Natural gas revenue	93.3	3.37	81.9	2.59
Condensate and oil revenue	134.8	63.26	160.2	70.10
Other NGLs revenue ⁽²⁾	16.2	28.55	23.7	31.68
Royalty and sulphur revenue	1.8	–	4.0	–
Petroleum and natural gas sales	246.1	33.63	269.8	32.51
Royalties	(15.4)	(2.10)	(16.0)	(1.93)
Operating expense	(90.4)	(12.35)	(92.3)	(11.12)
Transportation and NGLs processing ⁽³⁾	(24.6)	(3.36)	(27.0)	(3.26)
Netback	115.7	15.82	134.5	16.20
Commodity contract settlements	5.6	0.77	(12.3)	(1.48)
Netback including commodity contract settlements	121.3	16.59	122.2	14.72

(1) Natural gas revenue presented per Mcf.

(2) Other NGLs means ethane, propane and butane.

(3) Includes downstream transportation costs and NGLs fractionation costs.

Petroleum and natural gas sales were \$246.1 million in the first quarter of 2019, a decrease of \$23.7 million from the same period in the prior year, primarily due to lower sales volumes and lower liquids prices, partially offset by higher natural gas prices.

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

	Natural gas	Condensate and oil	Other NGLs	Royalty and Sulphur	Total
Three months ended March 31, 2018	81.9	160.2	23.7	4.0	269.8
Effect of changes in sales volumes	(10.0)	(10.8)	(5.7)	–	(26.5)
Effect of changes in prices	21.4	(14.6)	(1.8)	–	5.0
Change in royalty and sulphur revenue	–	–	–	(2.2)	(2.2)
Three months ended March 31, 2019	93.3	134.8	16.2	1.8	246.1

Sales Volumes

	Three months ended March 31											
	Natural gas (MMcf/d)			Condensate and oil (Bbl/d)			Other NGLs (Bbl/d)			Total (Boe/d)		
	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change
Grande Prairie	78.0	83.7	(7)	10,929	12,041	(9)	1,602	2,399	(33)	25,530	28,398	(10)
Kaybob	150.5	175.2	(14)	9,733	10,011	(3)	2,324	2,639	(12)	37,143	41,843	(11)
Central Alberta & Other	79.5	92.2	(14)	3,017	3,339	(10)	2,358	3,260	(28)	18,623	21,962	(15)
Total	308.0	351.1	(12)	23,679	25,391	(7)	6,284	8,298	(24)	81,296	92,203	(12)

Sales volumes decreased 12 percent to 81,296 Boe/d in the first quarter of 2019 compared to 92,203 Boe/d in the same period in 2018. The reduction in sales volumes was primarily due to lower production in the Kaybob and Central Alberta and Other Regions as a result of natural declines and the disposition of the Resthaven/Jayar properties in the Grande Prairie Region in the third quarter of 2018. These decreases

were partially offset by higher sales volumes at Smoky Duvernay in the Kaybob Region and at Karr in the Grande Prairie Region as a result of new wells being brought-on production.

The Company is delivering test volumes from its Wapiti 9-3 pad in the Grande Prairie Region as part of the commissioning of the new third-party processing plant (the "Wapiti Plant"). First sales are expected in May 2019.

Paramount is reaffirming its 2019 production guidance, including first half average sales volumes of between 80,000 Boe/d and 81,000 Boe/d and annual average sales volumes of between 81,000 Boe/d and 85,000 Boe/d. Production is expected to increase in the second half of the year as Wapiti ramps up, with fourth quarter sales volumes expected to average between 85,000 Boe/d and 90,000 Boe/d.

Commodity Prices

Three months ended March 31	2019	2018	% Change
Natural Gas			
Paramount realized price (\$/Mcf)	3.37	2.59	30
AECO daily spot (\$/GJ)	2.49	1.96	27
AECO monthly index (\$/GJ)	1.84	1.75	5
Dawn (\$/MMbtu)	3.90	3.81	2
NYMEX (US\$/MMbtu)	2.86	2.84	1
Malin - monthly (US\$/MMbtu)	3.88	2.50	55
Crude Oil			
Paramount average realized condensate & oil price (\$/Bbl)	63.26	70.10	(10)
Edmonton Light Sweet (\$/Bbl)	66.92	70.09	(5)
West Texas Intermediate (US\$/Bbl)	54.81	62.87	(13)
Foreign Exchange			
\$CDN / 1 \$US	1.33	1.27	5

Paramount's natural gas portfolio consists of sales priced in the Alberta market and approximately 122,000 GJ/d of sales priced at the Dawn, US Midwest and Malin markets and is sold in a combination of daily and monthly contracts. Paramount continues to evaluate opportunities to further diversify its natural gas sales markets.

Paramount sells its condensate and oil volumes at Edmonton via third-party pipelines, at truck terminals or at the lease. Condensate and oil volumes sold at Edmonton generally receive higher prices than volumes sold at terminals or leases. Sales prices for condensate and oil are based on West Texas Intermediate reference prices, adjusted for transportation, quality and density differentials. The Company's average realized condensate and oil price decreased in the first quarter of 2019 compared to the same period in 2018 mainly as a result of decreases in benchmark prices.

Commodity Price Management

From time-to-time Paramount uses financial commodity contracts to manage exposure to commodity price volatility. As at March 31, 2019, the Company had the following financial commodity contracts in place:

Instruments	Aggregate notional	Average fixed price	Fair value	Remaining Term
Oil – NYMEX WTI Swaps (Sale)	14,000 Bbl/d	CDN\$77.05/Bbl	(12.5)	April 2019 – December 2019
Oil – NYMEX WTI Calls (Sale)	2,000 Bbl/d	CDN\$82.00/Bbl ⁽¹⁾	(1.1)	April 2019 – December 2019
Other			(0.2)	
			(13.8)	

(1) Paramount sold NYMEX WTI call options for 2,000 Bbl/d for fiscal 2019 at an exercise price of CDN\$82.00 per barrel, for which the Company will receive a premium of CDN\$2.65 per barrel.

Subsequent to March 31, 2019, the Company entered into the following financial commodity contracts:

Instruments	Aggregate notional	Average fixed price	Remaining term
Oil – NYMEX WTI Swaps (Sale)	1,000 Bbl/d	CDN\$85.00/Bbl	April 2019 – December 2019
Oil – NYMEX WTI Swaps (Sale)	3,000 Bbl/d	CDN\$80.07/Bbl	January 2020 – December 2020

Changes in the fair value of the Company's financial commodity contracts are as follows:

	Three months ended March 31, 2019	Twelve months ended December 31, 2018
Fair value, beginning of period	64.4	(19.1)
Changes in fair value	(72.6)	7.0
Settlements paid (received)	(5.6)	76.5
Fair value, end of period	(13.8)	64.4

Royalties

Three months ended March 31	2019	Rate	2018	Rate
Royalties	15.4	6.3%	16.0	5.9%
\$/Boe	2.10		1.93	

Royalties decreased \$0.6 million to \$15.4 million in the first quarter of 2019 compared to the same period in 2018 primarily as a result of lower revenue, partially offset by higher royalties at Karr in the Grande Prairie Region and lower gas cost allowance. Royalty rates in the Grande Prairie Region increased in 2019 as a number of new wells had fully utilized their new well royalty incentives. New wells continue to benefit from a five percent initial royalty rate up to the maximum incentive.

Operating Expense

Three months ended March 31	2019	2018	% Change
Operating expense	90.4	92.3	(2)
\$/Boe	12.35	11.12	11

Operating expense decreased by \$1.9 million to \$90.4 million in the first quarter of 2019, compared to \$92.3 million in the same period in 2018. The decrease was primarily due to lower well workover and maintenance activity and the disposition of the Resthaven/Jayar properties, partially offset by higher operating costs at Karr in the Grande Prairie Region as a result of higher production.

Transportation and NGLs Processing

Three months ended March 31	2019	2018	% Change
Transportation and NGLs processing	24.6	27.0	(9)
\$/Boe	3.36	3.26	3

Transportation and NGLs processing includes the costs of downstream transportation and NGLs fractionation incurred by the Company. Transportation and NGLs processing was \$24.6 million in the first quarter of 2019, a decrease of \$2.4 million compared to 2018. The decrease was primarily the result of lower natural gas transportation costs due to lower production and lower trucking costs at Karr in the Grande Prairie Region due to a higher proportion of production being transported via pipeline.

Other Operating Items

Three months ended March 31	2019	2018
Depletion and depreciation ⁽¹⁾	(80.7)	(131.1)
Gain on sale of oil and gas assets ⁽¹⁾	6.0	7.8
Exploration and evaluation expense	(5.1)	(8.6)

(1) 2018 restated, refer to Note 1 and 22 of the Annual Financial Statements.

Depletion and depreciation expense decreased to \$80.7 million in the first quarter of 2019 compared to \$131.1 million in 2018, primarily due to the modification of the Company's depletion rate methodology adopted in the fourth quarter of 2018.

INVESTMENTS IN SECURITIES

Paramount holds equity investments in a number of publicly-traded and private corporations as part of its portfolio of investments. The majority of these investments, including Strath Resources Ltd. ("Strath") and MEG Energy Corp. ("MEG"), were received as consideration for properties sold to the entities. Paramount's investments in securities are summarized below:

As at	Market Value ⁽¹⁾	
	March 31, 2019	December 31, 2018
Strath ⁽²⁾	170.0	170.0
MEG	18.9	28.5
Privateco	21.1	21.1
Other ⁽³⁾	13.0	12.1
Total	223.0	231.7

(1) Based on the period-end closing price of publicly traded investments and the book value of remaining investments.

(2) Includes 85 million Strath common shares and 8.5 million warrants to acquire Strath common shares.

(3) Includes investments in Pipestone Energy Corp., Storm Resources Ltd., Canadian Premium Sand Inc. and other public and private corporations.

CORPORATE

Three months ended March 31	2019	2018
General and administrative	13.7	18.2
Share-based compensation	4.9	5.6
Interest and financing	9.2	8.7
Accretion of asset retirement obligations ⁽¹⁾	14.5	14.1
Closure costs	13.4	—

(1) 2018 restated, refer to Note 1 and 22 of the Annual Financial Statements.

General and administrative expenses were 25 percent lower in the first quarter of 2019 compared to the first quarter of 2018, primarily due to lower staffing levels and administrative costs in the current year as the integration of administrative functions following two corporate acquisitions in the third quarter of 2017 was substantially completed.

In early 2019, the Company made the decision to cease production operations at the Zama field in northern Alberta. Sales volumes at Zama averaged approximately 1,200 Boe/d in the fourth quarter of 2018. Closure activities commenced in the first quarter of 2019 and are expected to span approximately twelve months. The Company recognized a provision of \$13.4 million as at March 31, 2019 in respect of the expected costs of the Zama closure program.

PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION EXPENDITURES

Three months ended March 31	2019	2018
Drilling, completion and tie-ins	58.4	112.6
Facilities and gathering	7.7	18.4
Karr 6-18 Facility expansion	34.5	0.6
Exploration and Development Capital ⁽¹⁾	100.6	131.6
Corporate	2.5	2.9
Total capital additions	103.1	134.5
Land and property acquisitions	1.0	1.5
	104.1	136.0
Exploration and Development Capital by Region ⁽¹⁾		
Grande Prairie	67.7	74.3
Kaybob	27.4	50.0
Central Alberta and Other	5.5	7.3
	100.6	131.6

(1) Exploration and Development Capital consists of property, plant and equipment and exploration expenditures excluding spending related to land and property acquisitions and corporate assets.

Exploration and development capital was \$100.6 million in the first quarter of 2019 compared to \$131.6 million in the same period in 2018. Expenditures in the first quarter of 2019 were mainly related to drilling and completion programs at Wapiti in the Grande Prairie Region and in the Kaybob Region and advancing the expansion of the Karr 6-18 natural gas facility (the "6-18 Facility") in the Grande Prairie Region.

The majority of capital spending at Karr in the first quarter of 2019 related to the expansion of the 6-18 Facility, which remains on track for start-up in the second half of 2020. First quarter 2019 capital spending on the project totaled \$34.5 million, primarily related to long-lead time equipment purchases.

Development activities at Karr will resume in the second quarter of 2019 with the completion of five Montney wells drilled in 2018 on the 4-24 pad. The Company scheduled completion operations after spring breakup to capture cost savings resulting from operating in warmer conditions. Paramount also plans to commence drilling three new wells on the 1-19 pad. These eight new Montney wells will be brought-on production as required to offset natural production declines.

At the Montney development at Wapiti, production is expected to increase as throughput at the Wapiti Plant ramps up, with all 11 wells on the 9-3 pad scheduled to be brought-on production in 2019. Drilling operations were completed for 12 wells on the 5-3 pad in the first quarter of 2019 and these wells are scheduled to be completed in the second quarter.

In the Kaybob Region, two wells from the 2018 capital program were brought-on production in the first quarter of 2019 in the Montney Oil development and three new wells were drilled. Two of these new wells are scheduled to be brought-on production in the second quarter. At South Duvernay, 5 (2.5 net) new wells on the 2-28 pad were completed in April 2019. These wells are expected to be tied-in and brought-on production in the third quarter of 2019. The Company's drilling program in the first quarter of 2019 also included a tenure well in the North Kaybob Duvernay oil window and an initial appraisal well at the Ante Creek Montney property.

The Company's \$350 million base capital budget for 2019 remains unchanged. Total forecast spending on the 6-18 Facility expansion for 2019 remains at \$145 million and is not included in the \$350 million base capital budget. The Company continues to evaluate funding alternatives to complete the expansion.

Wells drilled were as follows:

Three months ended March 31	2019		2018	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾
Natural gas	16	14	18	12
Oil	4	4	7	7
Total	20	18	25	19

(1) Gross is the number of wells in which Paramount has a working interest.

(2) Net is the aggregate number of wells obtained by multiplying each gross well by Paramount's percentage of working interest.

LIQUIDITY AND CAPITAL RESOURCES

Paramount manages its capital structure to support current and future business plans and periodically adjusts the structure in response to changes in economic conditions and the risk characteristics of the Company's underlying assets and operations. Paramount may adjust its capital structure through a number of means, including by issuing or repurchasing shares, altering debt levels, modifying capital spending programs, acquiring or disposing of assets, and participating in joint ventures, the availability of any such means being dependent upon market conditions.

As at	March 31, 2019	December 31, 2018
Cash and cash equivalents	(12.9)	(19.3)
Accounts receivable	(124.4)	(121.3)
Prepaid expenses and other	(9.7)	(9.6)
Accounts payable and accrued liabilities	223.0	231.2
Adjusted working capital deficit ⁽¹⁾	76.0	81.0
Paramount Facility	827.3	815.0
Net Debt ⁽²⁾	903.3	896.0
Share capital	2,185.6	2,184.6
Retained earnings (accumulated deficit)	(55.5)	21.2
Reserves	31.4	44.7
Total Capital	3,064.8	3,146.5

(1) Adjusted working capital excludes risk management assets and liabilities, current accounts receivable amounts relating to subleases (March 31, 2019 - \$1.8 million, December 31, 2018 - nil) and the current portion of asset retirement obligations and other.

(2) Refer to the advisories concerning non-GAAP measures in the Advisories section of this document.

The change in net debt in the first quarter of 2019 is primarily due to capital expenditures and asset retirement obligation settlements, largely offset by cash flows from operations. Paramount expects to fund its 2019 operations, obligations and capital expenditures with cash flows from operations, non-core asset dispositions and available capacity under its bank credit facility.

Paramount Facility

As at March 31, 2019, the Company had a \$1.5 billion financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility"). The maturity date of the Paramount Facility is currently November 16, 2022, which may be extended from time-to-time at the option of Paramount and with the agreement of the lenders.

Paramount had letters of credit outstanding totaling \$27.3 million as at March 31, 2019 that reduce the amount available to be drawn on the Paramount Facility.

Interest Rate Swaps

The Company had the following floating-to-fixed interest rate swaps in place as at March 31, 2019:

Contract Type	Aggregate notional	Maturity Date	Fixed	Reference	Fair value
			Contract Rate		
Interest Rate Swap	\$250 million	January 2023	2.3%	CDOR ⁽¹⁾	(4.4)
Interest Rate Swap	\$250 million	January 2026	2.4%	CDOR ⁽¹⁾	(8.1)
					(12.5)

(1) Canadian Dollar Offered Rate.

In the first quarter of 2019, Paramount entered into interest rate swap arrangements to manage the uncertainty of variable interest rates by fixing the variable component of a portion of the interest paid on the Company's long-term debt. The Company classified these arrangements as cash flow hedges and applied hedge accounting. At March 31, 2019, there were no changes to the critical terms of the hedging relationship and no hedge ineffectiveness was identified.

Share Capital

Paramount implemented a normal course issuer bid in January 2019 (the "2019 NCIB"). The 2019 NCIB will terminate on the earlier of: (i) January 3, 2020; and (ii) the date on which the maximum number of Common Shares that can be acquired pursuant to the 2019 NCIB are purchased. Purchases of Common Shares under the 2019 NCIB will be effected through the facilities of the TSX or alternative Canadian trading systems at the market price at the time of purchase.

Paramount may purchase up to 7,110,667 Common Shares under the 2019 NCIB. Pursuant to the rules of the TSX, the maximum number of Common Shares that the Company may purchase under the 2019 NCIB in any one day is 96,491 Common Shares. Paramount may also make one block purchase per calendar week which exceeds such daily purchase restriction, subject to the rules of the TSX. Any Common Shares purchased pursuant to the 2019 NCIB will be cancelled by the Company. No Common Shares have been purchased to date under the 2019 NCIB. Any shareholder may obtain, for no charge, a copy of the notice in respect of the 2019 NCIB filed with the TSX by contacting the Company at 403-290-3600.

As at April 30, 2019, Paramount had 130,657,079 Common Shares outstanding (net of 246,659 Common Shares held in trust under the Company's restricted share unit plan) and 12,180,851 options to acquire Common Shares outstanding, of which 3,510,655 options are exercisable.

QUARTERLY INFORMATION

	2019	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Petroleum and natural gas sales	246.1	207.4	248.5	239.7	269.8	258.9	116.5	61.3
Net income (loss) ⁽¹⁾	(76.7)	(170.5)	(13.1)	(119.0)	(64.6)	(103.2)	383.4	39.6
<i>Per share – basic (\$/share)</i>	(0.59)	(1.31)	(0.10)	(0.90)	(0.48)	(0.76)	3.42	0.37
<i>Per share – diluted (\$/share)</i>	(0.59)	(1.31)	(0.10)	(0.90)	(0.48)	(0.76)	3.39	0.37
Adjusted funds flow	100.5	45.5	58.2	62.6	97.6	110.1	45.3	35.2
<i>Per share – basic & diluted (\$/share)</i>	0.77	0.35	0.44	0.47	0.73	0.82	0.40	0.33
Sales volumes								
Natural gas (MMcf/d)	308.0	315.2	303.8	334.1	351.1	359.9	177.2	53.0
Condensate and oil (Bbl/d)	23,679	24,898	22,868	23,815	25,391	26,285	14,845	8,118
Other NGLs (Bbl/d)	6,284	7,059	6,963	7,242	8,298	9,149	4,641	1,414
Total (Boe/d)	81,296	85,495	80,471	86,741	92,203	95,412	49,023	18,367
Average realized price								
Natural gas (\$/Mcf)	3.37	2.73	1.93	1.71	2.59	2.11	1.89	3.24
Condensate and oil (\$/Bbl)	63.26	45.54	79.83	77.25	70.10	66.65	54.30	57.95
Other NGLs (\$/Bbl)	28.55	31.39	32.16	27.35	31.68	30.15	23.05	20.09
Total (\$/Boe)	33.63	26.68	33.57	30.37	32.51	29.49	25.84	36.69

(1) Comparative amounts for the first, second and third quarters of 2018 and for 2017 are restated, refer to Note 1 and 22 of the Annual Financial Statements.

Significant Items Impacting Quarterly Results

Quarterly earnings variances include the impacts of changing production volumes and market prices.

- The first quarter 2019 loss includes a \$72.6 million loss on financial commodity contracts.
- The fourth quarter 2018 loss includes a \$502.5 million impairment of petroleum and natural gas assets, partially offset by a \$170.3 million gain on financial commodity contracts.
- The third quarter 2018 loss includes a \$48.8 million gain on the sale of oil and gas assets, primarily related to the sale of the Resthaven/Jayar Assets, and a \$31.1 million loss on commodity contracts.
- The second quarter 2018 loss includes an \$84.6 million loss on financial commodity contracts.
- The first quarter 2018 loss includes a \$47.6 million loss on financial commodity contracts.
- The fourth quarter 2017 loss includes a \$184.6 million impairment related to the Company's Shale Gas Project, a \$182.9 million gain related to the Apache Canada Ltd. acquisition and \$121.7 million of aggregate impairment of property, plant and equipment.
- Third quarter 2017 earnings include a \$366.1 million gain related to the Apache Canada Ltd. acquisition and a \$61.8 million gain related to a fair value adjustment in respect of Trilogy Energy Corp. shares held prior to the merger with Trilogy Energy Corp. in September 2017.
- Second quarter 2017 earnings include a \$72.6 million gain on the sale of oil and gas assets, primarily related to the sale of the Valhalla property.

OTHER INFORMATION

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.

In 2016, a release occurred from a non-operated pipeline in which the Company owned a 50 percent interest. The operator, and owner of the remaining 50 percent, initiated response, containment and remediation activities ("Response Activities"). Total costs to complete the Response Activities are estimated at approximately \$60 million. It is Paramount's assessment that it is not responsible for the costs of the Response Activities and as a result, no provision has been recorded in the Company's financial statements.

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 relevant 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.

CHANGE IN ACCOUNTING POLICIES

The Company adopted IFRS 16, which replaced *IAS 17 – Leases* and related interpretations, effective January 1, 2019, utilizing the modified retrospective approach. The modified retrospective approach does not require prior period comparative information to be restated, rather the cumulative effect of the change is recorded as of the date of adoption.

On adoption of IFRS 16, the Company elected to use the following practical expedients permitted under the standard:

- to rely on its previous assessment of whether leases are onerous by applying *IAS 37 – Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37") immediately before the date of initial application as an alternative to performing an impairment review;
- to apply a single discount rate to a portfolio of leases with similar characteristics;
- to account for leases with a remaining term of less than twelve months as at January 1, 2019 as short-term leases; and
- to account for lease payments as an expense and not recognize a right-of-use ("ROU") asset if the underlying asset is of a low dollar value, as defined by IFRS 16.

As at January 1, 2019, the total carrying value of Paramount's lease liabilities was \$39.3 million. On adoption of IFRS 16, the Company recognized net ROU assets of \$9.5 million and aggregate accounts receivable amounts related to office subleases of \$8.6 million. The unamortized carrying amount of \$17.8 million related to provisions previously recorded in respect of the Company's office leases was applied against the carrying value of the right of ROU asset upon adoption.

The following table summarizes the impact of adopting IFRS 16 on the Company's balance sheet as at January 1, 2019:

As at	December 31, 2018	Effect of change	January 1, 2019
Accounts receivable	121.3	1.7	123.0
Lease receivable	–	6.9	6.9
Property, plant, and equipment, net	2,178.2	9.5	2,187.7
Accounts payable and accrued liabilities	231.2	(7.6)	223.6
Current portion of asset retirement obligations and other	32.0	8.9	40.9
Asset retirement obligations and other	789.3	16.8	806.1

Refer to the Interim Financial Statements for further details on the adoption of IFRS 16.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the three months ended March 31, 2019, 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.

ADVISORIES

Forward-looking Information

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

- expected first sales at Wapiti;
- expected average sales volumes for 2019, including for the first half of 2019 and the fourth quarter of 2019;
- budgeted capital expenditures;
- an expected increase in sales volumes as new wells are brought-on at Wapiti;
- the expected duration of closure activities at Zama;
- exploration, development, and associated operational plans and strategies, including the timing of bringing new wells on production;
- the 6-18 Facility expansion remaining on track for start-up in the second half of 2020 and forecast spending on the expansion in 2019;
- the projected availability of third party processing facilities;
- expected funding sources for 2019 operations, obligations and capital expenditures;
- the anticipation that legal proceedings will not have a material impact on Paramount's financial position; and
- Paramount's assessment that it is not responsible for the costs of the Response Activities associated with the 2016 non-operated pipeline release.

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 natural gas and liquids prices;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates and interest rates;
- general business, economic and market conditions;
- the ability of Paramount to obtain the required capital to finance its exploration, development and other operations and meet its commitments and financial obligations;
- the ability of Paramount to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its activities;
- the ability of Paramount to secure adequate product processing, transportation, de-ethanization, fractionation, and storage capacity on acceptable terms;
- the ability of Paramount to market its natural gas and liquids successfully to current and new customers;
- the ability of Paramount and its industry partners to obtain drilling success (including in respect of anticipated production volumes, reserves additions, liquids yields and resource recoveries) and operational improvements, efficiencies and results consistent with expectations;
- the timely receipt of required governmental and regulatory approvals;
- the merits of outstanding and pending legal proceedings;
- the application of regulatory requirements respecting abandonment and reclamation; and
- anticipated timelines and budgets being met in respect of drilling programs and other operations (including well completions and tie-ins and the construction, commissioning and start-up of new and expanded facilities).

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

- fluctuations in natural gas and liquids prices;
- changes in foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future revenue, future production, reserve additions, liquids yields (including condensate to natural gas ratios), resource recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate product processing, transportation, de-ethanization, fractionation, and storage capacity on acceptable terms;
- operational risks in exploring for, developing and producing, natural gas and liquids;
- the ability to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost;
- 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, de-ethanization, and fractionation infrastructure outages, disruptions and constraints;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves and resources estimates;
- general business, economic and market conditions;
- the ability to generate sufficient cash flow from operations and obtain financing to fund planned exploration, development and operational activities and meet current and future commitments and

obligations (including product processing, transportation, de-ethanization, 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;
- the timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- uncertainties regarding aboriginal 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.

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, 2018 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.

Non-GAAP Measures

In this document "Adjusted funds flow", "Netback", "Net Debt", "Adjusted working capital" and "Exploration and development capital", collectively the "Non-GAAP Measures", are used and do not have any standardized meanings as prescribed by IFRS.

Adjusted funds flow refers to cash from operating activities before net changes in operating non-cash working capital, geological and geophysical expenses, asset retirement obligation settlements and transaction and reorganization costs. Adjusted funds flow is commonly used in the oil and gas industry to assist management and investors in measuring the Company's ability to fund capital programs and meet financial obligations. Refer to the Consolidated Results section of this MD&A for the calculation thereof. **Netback** equals petroleum and natural gas sales less royalties, operating costs and transportation and NGLs processing costs. Netback is commonly used by management and investors to compare the results of the Company's oil and gas operations between periods. Refer to the Operating Results section of this MD&A for the calculation thereof. **Net Debt** is a measure of the Company's overall debt position after adjusting for certain working capital and other amounts and is used by management to assess the Company's overall leverage position. Refer to the Liquidity and Capital Resources section of this MD&A for the calculation of Net Debt and **Adjusted working capital**. **Exploration and development capital** consists of the Company's spending on wells, infrastructure projects, and other property, plant and equipment and exploration and evaluation assets and excludes spending related to land and property acquisitions and corporate assets. The Exploration and development capital measure provides management and investors with information regarding the Company's capital spending on wells and infrastructure projects separate from land and property acquisition activity and corporate expenditures. Refer to the Property, Plant and Equipment and Exploration Expenditures section of this MD&A for the calculation thereof.

The Non-GAAP Measures should not be considered in isolation or construed as alternatives to their most directly comparable measure calculated in accordance with GAAP, or other measures of financial performance calculated in accordance with GAAP. The Non-GAAP Measures are unlikely to be comparable to similar measures presented by other issuers.

Oil and Gas Measures and Definitions

The term "liquids" includes oil, condensate and Other NGLs (ethane, propane and butane). NGLs consist of condensate and Other NGLs.

Abbreviations

Liquids		Natural Gas	
Bbl	Barrels	Mcf	Thousands of cubic feet
Bbl/d	Barrels per day	MMcf	Millions of cubic feet
NGLs	Natural gas liquids	MMcf/d	Millions of cubic feet per day
Condensate	Pentane and heavier hydrocarbons	GJ	Gigajoule
		GJ/d	Gigajoules per day
		MMbtu	Millions of British thermal units
		AECO	AECO-C reference price
		NYMEX	New York Mercantile Exchange
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 three months ended March 31, 2019, the value ratio between crude oil and natural gas was approximately 36:1. 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.