



Management's Discussion and Analysis
For the three and nine months ended September 30, 2022

This Management's Discussion and Analysis ("MD&A"), dated November 2, 2022 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 nine months ended September 30, 2022 (the "Interim Financial Statements") and Paramount's audited Consolidated Financial Statements as at and for the year ended December 31, 2021 (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-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, 2021 ("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 Duvernay developments at Kaybob Smoky, Kaybob North and Kaybob South, Montney oil developments at Kaybob North and Ante Creek 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 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 in-situ thermal oil recovery and heavy oil; (ii) 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 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 conventional natural gas and shale gas combined. "Condensate and oil" refers to condensate, light and medium crude oil and tight 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, tight oil and light and medium 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 September 30		Nine months ended September 30	
	2022	2021	2022	2021
FINANCIAL				
Petroleum and natural gas sales	618.9	369.2	1,654.8	949.1
Net income	221.9	292.7	420.8	135.9
Per share – basic (\$/share)	1.57	2.20	2.99	1.02
Per share – diluted (\$/share)	1.51	2.06	2.87	0.97
Cash from operating activities	248.9	97.0	742.9	290.4
Per share – basic (\$/share) ⁽¹⁾	1.76	0.73	5.29	2.18
Per share – diluted (\$/share) ⁽¹⁾	1.69	0.68	5.06	2.06
Adjusted funds flow ⁽¹⁾	334.3	148.4	830.5	325.3
Per share – basic (\$/share)	2.37	1.12	5.91	2.45
Per share – diluted (\$/share)	2.27	1.04	5.66	2.31
Free cash flow ⁽¹⁾	137.5	73.8	309.2	92.9
Per share – basic (\$/share)	0.97	0.56	2.20	0.70
Per share – diluted (\$/share)	0.93	0.52	2.11	0.66
Total assets			4,261.3	3,882.9
Investments in securities			451.3	302.9
Long-term debt			306.3	522.4
Net debt ⁽¹⁾			347.0	576.8
Total liabilities			1,201.2	1,471.8
Common shares outstanding (millions) ⁽²⁾			141.2	133.2
OPERATIONAL				
Sales volumes				
Natural gas (MMcf/d)	315.9	269.7	285.5	272.0
Condensate and oil (Bbl/d)	38,804	32,177	32,670	30,533
Other NGLs (Bbl/d)	6,144	5,017	5,484	5,041
Total (Boe/d)	97,601	82,150	85,740	80,901
% Liquids	46%	45%	44%	44%
Realized prices ⁽¹⁾				
Natural gas (\$/Mcf)	6.39	3.89	6.12	3.35
Condensate and oil (\$/Bbl)	112.56	84.42	120.39	77.43
Other NGLs (\$/Bbl)	51.20	47.05	58.05	37.18
Petroleum and natural gas sales (\$/Boe)	68.92	48.86	70.70	42.97
Capital expenditures	184.3	66.1	485.5	208.9

(1) Adjusted funds flow, free cash flow and net 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. Prior period free cash flow results have been reclassified to conform with the current year's presentation.

(2) Common Shares are presented net of shares held in trust under the Company's restricted share unit plan (Common Shares): 2022: 0.8 million and 2021: 1.5 million.

Q3 2022 OVERVIEW

Paramount's third quarter 2022 financial and operating results were highlighted by record production, adjusted funds flow and free cash flow. In the quarter:

- Sales volumes averaged 97,601 Boe/d (46% liquids), a new quarterly record for the Company, compared to 77,312 Boe/d (42% liquids) in the second quarter. Sales volumes in the month of September averaged 104,506 Boe/d (46% liquids), a new monthly record for the Company.
 - Sales volumes at Karr averaged 38,088 Boe/d (50% liquids) compared to 31,295 Boe/d (50% liquids) in the second quarter. Sales volumes were higher in the third quarter as production resumed following plant turnarounds that occurred in the second quarter and five new wells came onstream late in the third quarter. Although September production averaged 40,485 Boe/d (49% liquids), production earlier in the quarter was impacted by unplanned facility outages and downtime related to extended workover operations.
 - Sales volumes at Wapiti averaged 27,893 Boe/d (54% liquids) compared to 17,441 Boe/d (57% liquids) in the second quarter. Third quarter sales volumes were higher mainly due to new well production and improved runtime at the third-party Wapiti natural gas processing plant (the "Wapiti Plant") and associated infrastructure. September production averaged 30,589 Boe/d (54% liquids), exceeding targeted plateau production of 30,000 Boe/d one quarter ahead of schedule.
 - Sales volumes in the Kaybob Region averaged 24,021 Boe/d (35% liquids) compared to 21,642 (27% liquids) in the second quarter. Third quarter sales volumes were higher mainly due to four new Duvernay wells at Smoky and three new Duvernay wells at Kaybob North that were brought onstream in the quarter.
- Cash from operating activities was \$248.9 million (\$1.76 per basic share) compared to \$318.9 million (\$2.26 per basic share) in the second quarter. Adjusted funds flow was \$334.3 million (\$2.37 per basic share), a new quarterly record for Paramount, compared to \$258.3 million (\$1.83 per basic share) in the second quarter. Free cash flow was \$137.5 million (\$0.97 per basic share), a new quarterly record for the Company, compared to \$68.3 million (\$0.48 per basic share) in the second quarter.
- Capital expenditures totaled \$184.3 million compared to \$184.1 million in the second quarter and were focused on drilling and completion activities at Karr and Wapiti and in the Kaybob Region.
- Abandonment and reclamation expenditures totaled \$10.2 million, net of \$4.3 million in funding under the Alberta Site Rehabilitation Program ("ASRP").
- Net debt was \$347.0 million at September 30, 2022 compared to \$374.0 million at June 30, 2022. Third quarter 2022 net debt to adjusted funds flow was 0.3x compared to 0.5x at June 30, 2022.⁽¹⁾

(1) Net debt to 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.

Paramount closed its previously announced Willesden Green Duvernay acquisition in the third quarter for a purchase price of \$60.4 million in cash, net of adjustments. In early October, the Company also closed its previously announced disposition of certain non-core infrastructure assets, comprised of approximately 60 kilometers of operated resource roads in the Bigstone area of the Kaybob Region (the "Roads Disposition"), for cash proceeds of \$64.2 million net of adjustments. Annual operating expenses are expected to increase by approximately \$8 million as a result of the Roads Disposition (approximately \$0.20/Boe based on the midpoint of forecast 2023 sales volumes).

Pro forma the \$64.2 million Roads Disposition, at September 30, 2022 the Company achieved its \$300 million net debt target. Consistent with its free cash flow priorities, the Company paid an aggregate of \$42.6 million in dividends in the third quarter. Paramount's Board of Directors has approved a 25% increase in the regular monthly dividend from \$0.10 to \$0.125 per Common Share commencing in November. See "Free Cash Flow Priorities" and "Liquidity and Capital Resources" in this MD&A.

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 is experiencing persistent, 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 are currently being experienced. See "Risk Factors" in this MD&A for a further description of the risks posed by inflation and other risks that may affect the Company, including the impact of the Russian invasion of the Ukraine and the COVID-19 pandemic.

UPDATED 2022 GUIDANCE

Fourth quarter 2022 sales volumes are expected to average between 103,000 Boe/d and 107,000 Boe/d (45% liquids). This results in: (i) expected second half 2022 average sales volume of between 100,000 Boe/d and 102,000 Boe/d (46% liquids) compared to previous guidance of between 102,000 Boe/d and 106,000 Boe/d (46% liquids) and (ii) expected full year 2022 average sales volumes of between 90,000 Boe/d and 91,000 Boe/d (45% liquids) compared to previous guidance of between 91,000 Boe/d and 93,000 Boe/d (45% liquids). Fourth quarter 2022 sales volume expectations remain substantially unchanged and the updates to guidance are primarily attributable to third quarter production at Karr being lower than previously expected.

The Company's planned 2022 capital expenditures remain unchanged at a range of between \$600 million and \$640 million. Planned 2022 abandonment and reclamation spending totals \$35 million, net of \$10.5 million in funding under the ASRP, an increase of \$2 million from previous guidance due to additional activities.

Paramount is updating its forecast of 2022 free cash flow to approximately \$500 million from \$600 million to reflect updated commodity prices, production and other assumptions. The revised free cash flow forecast is based on the following assumptions for 2022: (i) the midpoint of forecast capital spending and production, (ii) \$35 million in net abandonment and reclamation costs, (iii) \$9 million in geological and geophysical expenses, (iv) realized pricing of \$69.70/Boe (US\$93.99/Bbl WTI, US\$6.57/MMBtu NYMEX, \$5.22/GJ AECO), (v) a \$US/\$CAD exchange rate of \$0.766, (vi) royalties of \$10.80/Boe, (vii) operating costs of \$12.00/Boe and (viii) transportation and processing costs of \$4.00/Boe.

2023 BUDGET AND GUIDANCE

With its achievement of the net debt target, strong free cash flow profile and deep inventory of high return opportunities, Paramount is budgeting 2023 capital expenditures in a range of between \$720 million and \$760 million, \$65 million higher at the midpoint than previous preliminary guidance. This increase is largely related to infrastructure and drilling capital to accelerate Duvernay development in the recently expanded Willesden Green core area that will benefit production in 2024 and beyond. Paramount remains committed to prudently managing its capital resources and has the flexibility to adjust its capital expenditure plans depending on commodity prices and other factors.

The 2023 capital budget at midpoint is broken down as follows:

- \$350 million of sustaining capital and maintenance activities;
- \$80 million of growth capital associated with production benefits in 2023; and
- \$310 million of growth capital associated with production benefits in 2024 and beyond.

The breakdown by region at midpoint is as follows:

- Grande Prairie Region – \$375 million;
- Kaybob Region – \$215 million;
- Central Alberta and Other Region – \$125 million; and
- Corporate and Other – \$25 million.

The Company has budgeted approximately \$45 million for abandonment and reclamation activities in 2023.

Average sales volumes in 2023 are expected to be between 105,000 Boe/d and 110,000 Boe/d (46% liquids), unchanged from previous preliminary guidance.

- First half 2023 sales volumes are expected to average between 101,000 Boe/d and 106,000 Boe/d (45% liquids).
- Second half 2023 sales volumes are expected to average between 109,000 Boe/d and 114,000 Boe/d (46% liquids).

Paramount is forecasting approximately \$650 million of free cash flow in 2023, \$75 million lower than previous preliminary estimates largely as a result of changes in budgeted capital spending. The free cash flow forecast is based on the following assumptions for 2023: (i) the midpoint of stated capital spending and production, (ii) \$45 million in abandonment and reclamation costs, (iii) \$7 million in geological and geophysical expenses, (iv) realized pricing of \$63.00/Boe (US\$80.00/Bbl WTI, US\$5.00/MMBtu NYMEX, \$4.74/GJ AECO), (v) a \$US/\$CAD exchange rate of \$0.730, (vi) royalties of \$10.30/Boe, (vii) operating costs of \$11.15/Boe and (viii) transportation and processing costs of \$3.55/Boe.

The Company's 2023 capital program and increased regular monthly dividend would remain fully funded down to an average WTI price of about US\$56/Bbl in 2023 assuming no changes to the other stated free cash flow forecast assumptions for 2023.

PRELIMINARY 2024 GUIDANCE

Based on preliminary planning and current market conditions, Paramount anticipates 2024 capital expenditures to range between \$750 million and \$850 million, broken down as follows at midpoint:

- \$390 million of sustaining capital and maintenance activities; and
- \$410 million of growth capital.

The breakdown by region at midpoint is as follows:

- Grande Prairie Region – \$385 million;
- Kaybob Region – \$200 million;
- Central Alberta and Other Region – \$205 million; and
- Corporate and Other – \$10 million.

A capital program in this range would be expected to result in 2024 average sales volumes of between 115,000 Boe/d and 125,000 Boe/d (48% liquids) and free cash flow of approximately \$650 million. The free cash flow estimate is based on the following assumptions for 2024: (i) the midpoint of stated capital spending and production, (ii) \$40 million in abandonment and reclamation costs, (iii) \$7 million in geological and geophysical expenses, (iv) realized pricing of \$58.80/Boe (US\$75.00/Bbl WTI, US\$4.50/MMBtu NYMEX, \$4.27/GJ AECO), (v) a \$US/\$CAD exchange rate of \$0.735, (vi) royalties of \$9.75/Boe, (vii) operating costs of \$10.25/Boe and (viii) transportation and processing costs of \$3.50/Boe.

The Company's 2024 capital program and increased regular monthly dividend would remain fully funded down to an average WTI price of about US\$54/Bbl in 2024 assuming no changes to the other stated free cash flow estimate assumptions for 2024.

DELIVERING ON FREE CASH FLOW PRIORITIES

Following the achievement of its net debt target, Paramount's free cash flow priorities continue to be the maintenance of conservative leverage levels and the delivery of superior shareholder returns through a combination of dividends, investments in growth opportunities and opportunistic share buybacks. Paramount has and will continue to deliver on these priorities.

- The Company implemented a regular monthly dividend of \$0.02 per share in July 2021, which has now been increased six-fold to \$0.125 per share through four increases over the past year. Paramount maintains the flexibility to provide incremental returns through special dividends.
- The Company has allocated incremental capital to its highest risk-adjusted return organic growth opportunities and to accretive acquisitions, contributing to significant forecast growth in free cash flow and production. Paramount continues to actively evaluate additional opportunities for accretive acquisitions and divestitures and organic growth, while remaining focused on capital discipline and maintaining a strong balance sheet.
- The Company has the ability to make opportunistic repurchases of up to 7.6 million Common Shares under its normal course issuer bid.

Paramount plans to direct the majority of its near-term free cash flows to further reduce credit facility drawings in order to provide additional financial flexibility. Over the last two years, the Company has reduced net debt by over \$500 million while increasing production 50 percent to approximately 105,000 Boe/d.

CONSOLIDATED RESULTS

Net Income

Paramount recorded net income of \$221.9 million for the three months ended September 30, 2022 compared to net income of \$292.7 million in the same period in 2021. Significant factors contributing to the change are shown below:

Three months ended September 30	
Net income – 2021	292.7
<ul style="list-style-type: none"> • Higher depletion, depreciation and impairment reversal in 2022, mainly due to impairment reversals in 2021 • Lower gain on sale of oil and gas assets in 2022 • Higher netback in 2022, mainly due to higher commodity prices and sales volumes • Gain on risk management contracts in 2022 compared to a loss in 2021 • Lower income tax expense in 2022 • Lower interest and financing expense in 2022 • Other 	(297.8) (31.9) 162.0 49.4 35.2 5.4 6.9
Net income – 2022	221.9

Paramount recorded net income of \$420.8 million for the nine months ended September 30, 2022 compared to net income of \$135.9 million in the same period in 2021. Significant factors contributing to the change are shown below:

Nine months ended September 30	
Net income – 2021	135.9
<ul style="list-style-type: none"> • Higher netback in 2022, mainly due to higher commodity prices and sales volumes • Lower interest and financing expense in 2022 • Loss on settlement of dissent payment entitlement in 2021 • Lower provisions recorded in 2022 • Lower loss on risk management contracts in 2022 • Higher depletion, depreciation and impairment reversal in 2022, mainly due to impairment reversals in 2021 • Lower gain on sale of oil and gas assets in 2022 • Higher income tax expense in 2022 • Other 	485.8 29.4 22.6 22.0 13.1 (158.0) (70.2) (67.6) 7.8
Net income – 2022	420.8

Cash From Operating Activities

Cash from operating activities for the three months ended September 30, 2022 was \$248.9 million compared to \$97.0 million in the same period in 2021. Significant factors contributing to the change are shown below:

Three months ended September 30	
Cash from operating activities – 2021	97.0
<ul style="list-style-type: none"> • Higher netback in 2022, mainly due to higher commodity prices and sales volumes • Lower payments on risk management contract settlements in 2022 • Change in non-cash working capital • Other 	<ul style="list-style-type: none"> 162.0 14.6 (29.6) 4.9
Cash from operating activities – 2022	248.9

Cash from operating activities for the nine months ended September 30, 2022 was \$742.9 million compared to \$290.4 million for the same period in 2021. Significant factors contributing to the change are shown below:

Nine months ended September 30	
Cash from operating activities – 2021	290.4
<ul style="list-style-type: none"> • Higher netback in 2022, mainly due to higher commodity prices and sales volumes • Lower interest and financing expense in 2022 • Lower provisions recorded in 2022 • Change in non-cash working capital • Higher asset retirement obligations settled in 2022 • Higher payments on risk management contract settlements in 2022 • Other 	<ul style="list-style-type: none"> 485.8 22.7 22.0 (62.4) (10.6) (10.1) 5.1
Cash from operating activities – 2022	742.9

Adjusted Funds Flow

Adjusted funds flow for the three months ended September 30, 2022 was \$334.3 million compared to \$148.4 million in the same period in 2021. Significant factors contributing to the change are shown below:

Three months ended September 30	
Adjusted funds flow – 2021	148.4
<ul style="list-style-type: none"> • Higher netback in 2022, mainly due to higher commodity prices and sales volumes • Lower payments on risk management contract settlements in 2022 • Other 	<ul style="list-style-type: none"> 162.0 14.6 9.3
Adjusted funds flow – 2022	334.3

Adjusted funds flow for the nine months ended September 30, 2022 was \$830.5 million compared to \$325.3 million in the same period in 2021. Significant factors contributing to the change are shown below:

Nine months ended September 30	
Adjusted funds flow – 2021	325.3
<ul style="list-style-type: none"> • Higher netback in 2022, mainly due to higher commodity prices and sales volumes • Lower interest and financing expense in 2022 • Higher payments on risk management contract settlements in 2022 • Other 	<ul style="list-style-type: none"> 485.8 22.7 (10.1) 6.8
Adjusted funds flow – 2022	830.5

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		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Cash from operating activities	248.9	97.0	742.9	290.4
Change in non-cash working capital ⁽¹⁾	72.5	42.9	49.8	(12.6)
Geological and geophysical expense ⁽²⁾	2.3	1.6	6.8	5.1
Asset retirement obligations settled ⁽¹⁾	10.2	6.9	29.0	18.4
Provisions ⁽³⁾	0.4	–	2.0	24.0
Adjusted funds flow ⁽⁴⁾	334.3	148.4	830.5	325.3
Adjusted funds flow (\$/Boe) ⁽⁵⁾	37.23	19.63	35.48	14.73

(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.

Free Cash Flow

Free cash flow for the three months ended September 30, 2022 was \$137.5 million compared to \$73.8 million for the three months ended September 30, 2021. Significant factors contributing to the change are shown below:

Three months ended September 30	
Free cash flow – 2021	73.8
<ul style="list-style-type: none"> Higher adjusted funds flow (described in "Adjusted Funds Flow" section above) Higher capital expenditures in 2022 Higher asset retirement obligations settled in 2022 Higher geological and geophysical expense in 2022 	185.9 (118.2) (3.3) (0.7)
Free cash flow – 2022	137.5

Free cash flow for the nine months ended September 30, 2022 was \$309.2 million compared to \$92.9 million for the nine months ended September 30, 2021. Significant factors contributing to the change are shown below:

Nine months ended September 30	
Free cash flow – 2021	92.9
<ul style="list-style-type: none"> Higher adjusted funds flow (described in "Adjusted Funds Flow" section above) Higher capital expenditures in 2022 Higher asset retirement obligations settled in 2022 Higher geological and geophysical expense in 2022 	505.2 (276.6) (10.6) (1.7)
Free cash flow – 2022	309.2

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		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Cash from operating activities	248.9	97.0	742.9	290.4
Change in non-cash working capital ⁽¹⁾	72.5	42.9	49.8	(12.6)
Geological and geophysical expense ⁽²⁾	2.3	1.6	6.8	5.1
Asset retirement obligations settled ⁽¹⁾	10.2	6.9	29.0	18.4
Provisions ⁽³⁾	0.4	–	2.0	24.0
Adjusted funds flow	334.3	148.4	830.5	325.3
Capital expenditures ⁽¹⁾	(184.3)	(66.1)	(485.5)	(208.9)
Geological and geophysical expense ⁽²⁾	(2.3)	(1.6)	(6.8)	(5.1)
Asset retirement obligations settled ⁽¹⁾	(10.2)	(6.9)	(29.0)	(18.4)
Free cash flow ⁽⁴⁾	137.5	73.8	309.2	92.9

(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. Prior period results have been updated to reflect the current period presentation.

OPERATING RESULTS

Netback

	Three months ended				Nine months ended			
	September 30				September 30			
	2022		2021		2022		2021	
	(\$/Boe) ⁽¹⁾⁽²⁾		(\$/Boe) ⁽¹⁾⁽²⁾		(\$/Boe) ⁽¹⁾⁽²⁾		(\$/Boe) ⁽¹⁾⁽²⁾	
Natural gas revenue ⁽³⁾	185.7	6.39	96.5	3.89	476.9	6.12	248.6	3.35
Condensate and oil revenue ⁽³⁾	401.8	112.56	249.9	84.42	1,073.8	120.39	645.4	77.43
Other NGLs revenue ⁽³⁾	28.9	51.20	21.7	47.05	86.9	58.05	51.2	37.18
Royalty and other revenue ⁽³⁾	2.5	–	1.1	–	17.2	–	3.9	–
Petroleum and natural gas sales ⁽⁴⁾	618.9	68.92	369.2	48.86	1,654.8	70.70	949.1	42.97
Royalties ⁽⁴⁾	(89.4)	(9.96)	(30.9)	(4.09)	(250.9)	(10.72)	(74.5)	(3.37)
Operating expense ⁽⁴⁾	(110.0)	(12.25)	(83.3)	(11.02)	(287.9)	(12.30)	(249.4)	(11.29)
Transportation and NGLs processing ⁽⁴⁾	(34.4)	(3.83)	(30.3)	(4.01)	(96.5)	(4.12)	(88.4)	(4.00)
Sales of commodities purchased ⁽⁴⁾	77.9	8.67	31.3	4.14	169.3	7.23	53.4	2.42
Commodities purchased ⁽⁴⁾	(76.4)	(8.51)	(31.4)	(4.16)	(166.6)	(7.12)	(53.8)	(2.43)
Netback ⁽⁵⁾	386.6	43.04	224.6	29.72	1,022.2	43.67	536.4	24.30
Risk management contract settlements ⁽⁶⁾	(44.4)	(4.94)	(59.0)	(7.81)	(155.9)	(6.66)	(145.8)	(6.60)
Netback including risk management contract settlements ⁽⁷⁾	342.2	38.10	165.6	21.91	866.3	37.01	390.6	17.70

(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 nine months ended September 30, 2022 includes \$nil 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 per \$/Boe 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 per \$/Boe 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 \$618.9 million in the third quarter of 2022, an increase of \$249.7 million from the third quarter of 2021. Petroleum and natural gas sales were \$1,654.8 million for the nine months ended September 30, 2022, an increase of \$705.7 million compared to the same period in 2021.

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 September 30, 2021	96.5	249.9	21.7	1.1	369.2
Effect of changes in prices	72.7	100.4	2.3	–	175.4
Effect of changes in sales volumes	16.5	51.5	4.9	–	72.9
Change in royalty and other revenue	–	–	–	1.4	1.4
Three months ended September 30, 2022	185.7	401.8	28.9	2.5	618.9

	Natural gas	Condensate and oil	Other NGLs	Royalty and other	Total
Nine months ended September 30, 2021	248.6	645.4	51.2	3.9	949.1
Effect of changes in prices	215.9	383.2	31.2	–	630.3
Effect of changes in sales volumes	12.4	45.2	4.5	–	62.1
Change in royalty and other revenue	–	–	–	13.3	13.3
Nine months ended September 30, 2022	476.9	1,073.8	86.9	17.2	1,654.8

Royalty and other revenue for the three and nine months ended September 30, 2022 includes \$nil and \$11.9 million, respectively, related to a business interruption insurance claim arising from outages at the Wapiti Plant in 2020 and 2021.

Sales Volumes

	Three months ended September 30											
	Natural gas (MMcf/d) ⁽¹⁾			Condensate and oil (Bbl/d) ⁽¹⁾			Other NGLs (Bbl/d) ⁽¹⁾			Total (Boe/d) ⁽¹⁾		
	2022	2021	% Change	2022	2021	% Change	2022	2021	% Change	2022	2021	% Change
Karr	113.4	114.4	(1)	16,799	18,328	(8)	2,394	2,477	(3)	38,088	39,878	(4)
Wapiti	76.2	33.6	127	13,816	8,320	66	1,364	797	71	27,893	14,708	90
Grande Prairie	189.6	148.0	28	30,615	26,648	15	3,758	3,274	15	65,981	54,586	21
Kaybob	93.3	91.3	2	6,799	4,419	54	1,666	1,415	18	24,021	21,054	14
Central Alberta and Other	33.0	30.4	9	1,390	1,110	25	720	328	120	7,599	6,510	17
Total	315.9	269.7	17	38,804	32,177	21	6,144	5,017	22	97,601	82,150	19

(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, tight oil and light and medium crude oil.

Sales volumes were 97,601 Boe/d (46% liquids) in the third quarter of 2022, a new quarterly record for the Company, compared to 82,150 Boe/d (45% liquids) in the same period in 2021.

Third quarter 2022 Karr sales volumes were 38,088 Boe/d (50% liquids), compared to 39,878 Boe/d (52% liquids) in the same period in 2021 as the impact of production from 12 new wells brought on in 2022 in addition to five new wells brought on in the fourth quarter of 2021 mostly offset declines.

Wapiti sales volumes in the third quarter of 2022 increased to 27,893 Boe/d (54% liquids), 90 percent higher than the same period in 2021, as a result of 20 new wells being brought on production in 2022 in addition to three new wells brought on production in the fourth quarter of 2021. September 2022 production

averaged 30,589 Boe/d (54% liquids), exceeding targeted plateau production of 30,000 Boe/d at Wapiti one quarter ahead of schedule.

Kaybob Region sales volumes averaged 24,021 Boe/d (35% liquids) in the third quarter of 2022, 14 percent higher than the third quarter of 2021, mainly due to 12 (11.5 net) new wells being brought on-stream in 2022, including four Kaybob Smoky Duvernay wells and three Kaybob North Duvernay wells that were brought on production in the third quarter.

Sales volumes in the Central Alberta and Other Region were 7,599 Boe/d (28% liquids) in the third quarter of 2022 compared to 6,510 Boe/d (22% liquids) in the same period of 2021, mainly due to two Willesden Green Duvernay acquisitions completed in the first nine months of 2022 adding approximately 1,900 Boe/d (44% liquids) of production.

	Nine months ended September 30											
	Natural gas (MMcf/d) ⁽¹⁾			Condensate and oil (Bbl/d) ⁽¹⁾			Other NGLs (Bbl/d) ⁽¹⁾			Total (Boe/d) ⁽¹⁾		
	2022	2021	% Change	2022	2021	% Change	2022	2021	% Change	2022	2021	% Change
Karr	107.1	104.2	3	15,863	17,635	(10)	2,282	2,290	-	35,996	37,286	(3)
Wapiti	53.7	30.8	74	10,547	7,279	45	1,033	755	37	20,530	13,179	56
Grande Prairie	160.8	135.0	19	26,410	24,914	6	3,315	3,045	9	56,526	50,465	12
Kaybob	92.4	98.8	(6)	5,134	4,860	6	1,603	1,553	3	22,142	22,879	(3)
Central Alberta and Other	32.3	38.2	(15)	1,126	759	48	566	443	28	7,072	7,557	(6)
Total	285.5	272.0	5	32,670	30,533	7	5,484	5,041	9	85,740	80,901	6

(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, tight oil and light and medium crude oil.

Sales volumes were 85,740 Boe/d (44% liquids) in the nine months ended September 30, 2022 compared to 80,901 Boe/d (44% liquids) in the same period in 2021.

At Karr, sales volumes were 35,996 Boe/d (50% liquids) for the nine months ended September 30, 2022 compared to 37,286 Boe/d (53% liquids) in the same period in 2021, largely due to Karr production being shut-in for approximately three weeks in the second quarter of 2022 as a result of planned turnarounds at two third-party midstream facilities, impacting year-to-date 2022 average production by an estimated 3,400 Boe/d. Production from 12 new wells brought onstream in 2022 in addition to 10 new wells brought on in the second half of 2021 more than offset declines.

Sales volumes at Wapiti increased to 20,530 Boe/d (56% liquids) in the nine months ended September 30, 2022 compared to 13,179 Boe/d (61% liquids) in the same period in 2021. The increase was mainly due to 20 new wells being brought on production in the first nine months of 2022 in addition to 10 new wells brought on production in the second half of 2021. Production at Wapiti in the first nine months of 2022 was impacted by an estimated 3,000 Boe/d due to a planned turnaround as well as unplanned outages and curtailments at the Wapiti Plant and associated infrastructure.

Kaybob Region sales volumes averaged 22,142 Boe/d (30% liquids) in the nine months ended September 30, 2022 compared to 22,879 Boe/d (28% liquids) in the same period in 2021 as production from new wells mostly offset declines.

Sales volumes in the Central Alberta and Other Region were 7,072 Boe/d (24% liquids) in the nine months ended September 30, 2022 compared to 7,557 Boe/d (16% liquids) in the same period of 2021. For the nine months ended September 30, 2022, the impact of non-core property dispositions completed in 2021

(1,700 Boe/d (23% liquids)) was mostly offset by additional production at Willesden Green from the two Duvernay acquisitions completed in 2022 and from new wells brought on in the third quarter of 2021.

Commodity Prices

	Three months ended September 30			Nine months ended September 30		
	2022	2021	% Change	2022	2021	% Change
Natural Gas ⁽¹⁾						
Paramount realized natural gas price (\$/Mcf)	6.39	3.89	64	6.12	3.35	83
AECO daily spot (\$/GJ)	3.95	3.41	16	5.10	3.11	64
AECO monthly index (\$/GJ)	5.50	3.36	64	5.27	2.94	79
Dawn (\$/MMbtu)	9.61	5.18	86	8.17	4.12	98
NYMEX (US\$/MMbtu)	7.91	4.32	83	6.65	3.34	99
Malin monthly index (US\$/MMbtu)	7.96	4.12	93	6.79	3.19	113
Condensate and Oil ⁽¹⁾						
Paramount realized condensate & oil price (\$/Bbl)	112.56	84.42	33	120.39	77.43	55
Edmonton light sweet crude oil (\$/Bbl)	116.77	84.18	39	123.59	76.37	62
West Texas Intermediate crude oil (US\$/Bbl)	91.56	70.56	30	98.09	64.82	51
Other NGLs ⁽¹⁾						
Paramount realized Other NGLs price (\$/Bbl)	51.20	47.05	9	58.05	37.18	56
Conway – propane (\$/Bbl)	58.39	61.80	(6)	64.03	51.18	25
Belvieu – butane (\$/Bbl)	63.73	70.48	(10)	76.27	56.38	35
Foreign Exchange						
\$CAD / 1 \$US	1.31	1.26	4	1.28	1.25	2

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

Paramount's natural gas 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-priced 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.

Realized natural gas prices include the impacts of sales under fixed-price contracts. In the third quarter of 2022, a total of 80,000 GJ/d and 20,000 MMBtu/d of natural gas was sold under fixed price physical contracts at prices of CAD\$3.78/GJ and US\$4.03/MMBtu, respectively (third quarter of 2021 – 100,000 GJ/d of natural gas at CAD\$2.51/GJ). For the nine months ended September 30, 2022, approximately 66,800 GJ/d and 13,400 MMBtu/d of natural gas was sold under fixed price physical contracts at prices of CAD\$3.83/GJ and US\$4.03/MMBtu, respectively (2021 – approximately 96,700 GJ/d of natural gas at CAD\$2.54/GJ).

Paramount ships the majority of its condensate and crude oil production on third-party pipelines for sale in Edmonton, Alberta, where volumes generally receive higher prices due to the greater diversity of potential purchasers. A minimal portion of the Company'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.

The Company had the following fixed-price and basis differential physical contracts at September 30, 2022:

	Volume	Location	Average fixed price	Remaining term
Natural gas	80,000 GJ/d	AECO	CAD\$3.78/GJ	October 2022
Natural gas	20,000 MMBtu/d	Dawn	US\$4.03/MMBtu	October 2022
Condensate	3,146 Bbl/d	FSPL ⁽¹⁾	WTI – US\$1.17/Bbl	January 2023 – March 2023
Peace sweet crude oil	2,069 Bbl/d	Peace ⁽²⁾	WTI – US\$3.85/Bbl	January 2023 – December 2023

(1) FSPL refers to the Fort Saskatchewan Pipeline at Edmonton.

(2) Peace refers to the Peace Pipeline at Edmonton.

Subsequent to September 30, 2022, the Company entered into the following basis differential physical contract:

	Volume	Location	Average price	Remaining term
Peace sweet crude oil	1,034 Bbl/d	Peace	WTI – US\$3.50/Bbl	January 2023 – December 2023

The Company's propane and butane volumes are sold under monthly and long-term contracts. The terms of contracts in place in 2022, along with higher benchmark prices, resulted in an increase in Paramount's realized Other NGLs prices for the nine months ended September 30, 2022 compared to the same period in 2021.

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:

	Nine months ended September 30
Fair value, beginning of period	5.4
Changes in fair value	(161.3)
Settlements paid	152.7
Fair value, end of period	(3.2)

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

The following table summarizes the Company's financial and physical commodity contracts at November 1, 2022:

	Type ⁽¹⁾	Q4 2022	Q1 2023	Q2 2023	H2 2023	Average Price ⁽²⁾
Oil						
NYMEX WTI Swaps (Sale) (Bbl/d)	Financial	3,500	–	–	–	US\$75.79/Bbl
NYMEX WTI Swaps (Sale) (Bbl/d)	Financial	3,500	–	–	–	CAD\$91.38/Bbl
NYMEX WTI Collars (Bbl/d)	Financial	7,000	–	–	–	CAD\$82.50/Bbl (Floor) CAD\$100.47/Bbl (Ceiling)
Condensate - Basis (Sale) (Bbl/d)	Physical	–	3,146	–	–	WTI - US\$1.17/Bbl
Sweet Crude Oil - Basis (Sale) (Bbl/d)	Physical	–	3,146	3,112	3,078	WTI - US\$3.73/Bbl
Natural gas						
NYMEX Swaps (Sale) (MMBtu/d)	Financial	3,370	–	–	–	US\$4.91/MMBtu
AECO Fixed Price (GJ/d)	Physical	26,957	–	–	–	CAD\$3.78/GJ
Dawn Fixed Price (MMBtu/d)	Physical	6,739	–	–	–	US\$4.03/MMBtu
NYMEX Collars (MMBtu/d)	Financial	13,261	20,000	–	–	US\$7.50/MMBtu (Floor) US\$12.13/MMBtu (Ceiling)
AECO Collars (GJ/d)	Financial	13,261	20,000	–	–	CAD\$7.25/GJ (Floor) CAD\$9.60/GJ (Ceiling)
Chicago Index Swap (Sale) (MMBtu/d) ⁽³⁾	Financial	3,315	5,000	–	–	Daily – US\$0.09/MMBtu

(1) Financial refers to financial commodity contracts. Physical refers to fixed-priced and basis differential physical contracts.

(2) Average price is calculated using a weighted average of notional volumes and prices.

(3) "Chicago Index" refers to Chicago Citygate Index pricing. These contracts convert price exposure of Chicago monthly index to daily index.

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:

	Nine months ended September 30
Fair value, beginning of period	0.4
Changes in fair value	(29.5)
Settlements paid	3.2
Fair value, end of period	(25.9)

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 November 1, 2022:

Instruments	Aggregate amount / notional	Average rate	Remaining term
Forwards	US\$30 million / month	1.2863 CAD\$/US\$1.00	October 2022 – December 2022
Forwards	US\$30 million / month	1.2975 CAD\$/US\$1.00	January 2023 – March 2023
Forwards	US\$20 million / month	1.3025 CAD\$/US\$1.00	April 2023 – June 2023
Collars	US\$5 million / month	1.25 CAD\$/US\$1.00 (Floor) 1.30 CAD\$/US\$1.00 (Ceiling)	October 2022 – November 2022
Swaps (Sale)	US\$10 million / month	1.2888 CAD\$/US\$1.00	October 2022 – March 2023

Royalties

	Three months ended September 30				Nine months ended September 30			
	2022	Rate	2021	Rate	2022	Rate	2021	Rate
Royalties	89.4	14.5%	30.9	8.4%	250.9	15.3%	74.5	7.9%
\$/Boe ⁽¹⁾	9.96		4.09		10.72		3.37	

(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 \$89.4 million in the third quarter of 2022, \$58.5 million higher than the same period in 2021. Royalties for the nine months ended September 30, 2022 were \$250.9 million compared to \$74.5 million in the same period in 2021. Royalties increased in 2022 due to both higher petroleum and natural gas sales and higher royalty rates. Royalty rates increased in 2022 due to higher commodity prices and a greater proportion of Karr and Wapiti wells having fully utilized new well royalty incentives.

Operating Expense

	Three months ended September 30			Nine months ended September 30		
	2022	2021	% Change	2022	2021	% Change
Operating expense	110.0	83.3	32	287.9	249.4	15
\$/Boe ⁽¹⁾	12.25	11.02	11	12.30	11.29	9

(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 \$110.0 million in the third quarter of 2022 compared to \$83.3 million in the same period in 2021. Operating expenses were \$287.9 million in the first nine months of 2022 compared to \$249.4 million in the same period in 2021. Operating expenses for the three and nine months ended September 30, 2022 were higher mainly as a result of increased maintenance activities, including workovers, higher processing fees at Wapiti due to increased production and higher power and chemical costs. For the nine months ended September 30, 2022 these increases were partially offset by the impact of non-core property dispositions in the Central Alberta & Other Region in the third quarter of 2021. Operating expenses in 2022 include the impact of continuing inflationary pressures particularly in power, chemicals and labour.

Third quarter 2022 operating costs at Karr were \$11.29/Boe compared to \$9.03/Boe in the same period in 2021. Karr operating costs were \$11.28/Boe for the nine months ended September 30, 2022 compared to \$9.64/Boe in the same period in 2021. Per unit operating costs in 2022 at Karr were higher mainly due to the impact of turnarounds at two third-party midstream facilities in the second quarter that reduced production as well as higher costs related to workovers.

Operating costs at Wapiti for the three and nine months ended September 30, 2022 were \$11.12/Boe and \$11.93/Boe, respectively, compared to \$14.39/Boe and \$14.54/Boe, respectively, in the same periods in 2021, mainly due to higher production in 2022.

Total Company operating expenses were \$12.25/Boe and \$12.30/Boe in the three and nine months ended September 30, 2022, respectively, compared to \$11.02/Boe and \$11.29/Boe in the same periods in 2021, mainly due to the changes in described above.

Transportation and NGLs Processing

	Three months ended September 30			Nine months ended September 30		
	2022	2021	% Change	2022	2021	% Change
	Transportation and NGLs processing	34.4	30.3	14	96.5	88.4
\$/Boe ⁽¹⁾	3.83	4.01	(4)	4.12	4.00	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 \$34.4 million and \$96.5 million for the three and nine months ended September 30, 2022, respectively, compared to \$30.3 million and \$88.4 million in the same periods in 2021. Transportation and NGLs processing costs increased in 2022 mainly as a result of higher production at Wapiti.

Other Items

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Depletion and depreciation	90.8	75.0	235.1	220.1
Change in asset retirement obligations	1.5	(1.3)	(33.8)	112.7
ASRP funding	(4.3)	(0.9)	(10.5)	(3.4)
Reversal of petroleum and natural gas assets impairment	–	(282.6)	–	(296.6)
Exploration and evaluation expense	3.0	6.7	25.9	29.7
Gain on sale of oil and gas assets	(0.4)	(32.3)	(1.9)	(72.1)

Depletion and depreciation expense was \$90.8 million in the third quarter of 2022, compared to \$75.0 million in the same period of 2021. Depletion and depreciation expense was \$235.1 million in the nine months ended September 30, 2022 compared to \$220.1 million in the same period in 2021. The increase in depletion and depreciation expense in 2022 was mainly attributable to higher sales volumes.

For the nine months ended September 30, 2022, the Company recorded a recovery of \$33.8 million (September 30, 2021 – a charge of \$112.7 million) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a \$nil carrying value ascribed to property, plant and equipment. The changes were mainly due to revisions in the credit-adjusted risk-free rate used to discount obligations.

At September 30, 2021, the Company recorded an aggregate of \$282.6 million in reversals of previously recorded impairment charges to petroleum and natural gas assets, comprised of \$270.3 million related to the Kaybob cash-generating unit ("CGU") and \$12.3 million related to the Northern CGU. The impairment reversals resulted from an increase in the estimated recoverable amount of such CGUs, mainly due to higher and sustained forecasted condensate, crude oil and natural gas prices and the increase in the Company's market capitalization, since the prior impairment assessment performed at December 31, 2020. For additional information on impairment reversals in 2021, refer to Note 5 of the Annual Financial Statements.

In the third quarter of 2021, Paramount sold its non-operated Birch assets in the Central Alberta and Other CGU for proceeds of approximately \$85 million. A gain of \$36 million was recognized on this sale.

In the first quarter of 2021, the Company sold certain non-core properties in the Kaybob and Central Alberta and Other CGUs for proceeds of approximately \$79 million. A gain of \$39 million was recognized on these sales.

Exploration and evaluation expense was \$3.0 million and \$25.9 million for the three and nine months ended September 30, 2022, respectively, compared to \$6.7 million and \$29.7 million for the corresponding periods in 2021. The decrease in the third quarter of 2022 compared to the same period in 2021 was primarily due to lower expenses related to expired mineral leases.

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. In the first nine months of 2022, Paramount focused its activities in the Zama area, which was shut-in during 2019.

Abandonment and reclamation expenditures in the nine months ended September 30, 2022 totaled \$29.0 million, net of approximately \$10.5 million in funding under the ASRP. Activities in the first nine months of 2022 included the abandonment of 72 wells, including 39 under the Company's ongoing area-based closure program at Zama.

As at September 30, 2022, estimated undiscounted, uninflated asset retirement obligations were \$1,327.1 million (December 31, 2021 – \$1,318.7 million). As at September 30, 2022, the Company's discounted asset retirement obligations were \$570.7 million (discounted at 8.5 percent and using an inflation rate of 2.0 percent) compared to \$651.1 million as at December 31, 2021 (discounted at 7.0 percent and using an inflation rate of 2.0 percent). 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	September 30, 2022	December 31, 2021
Level one fair value hierarchy securities ("Level One Securities")	379.0	300.2
Level three fair value hierarchy securities ("Level Three Securities")	72.3	71.9
	451.3	372.1

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 Securities are carried at their period-end trading prices. Estimates of fair values for investments that are categorized as Level Three Securities are based on valuation techniques that incorporate unobservable inputs. The valuation techniques utilize market-based metrics of comparable companies and transactions, indicators of value based on equity transactions of the entities and other indicators of value including financial and operating results of the entities. Fair value estimates of Level Three Securities are updated at each balance sheet date to confirm whether the carrying value of the investment continues to fall within a range of possible fair values indicated by such techniques.

As a result of changes in the fair value estimates of its investments in securities, the Company recorded a charge of \$17.6 million before tax, to other comprehensive income ("OCI") for the three months ended

September 30, 2022 and \$130.0 million of before tax income to OCI for the nine months ended September 30, 2022.

In the third quarter of 2022, Paramount disposed of an investment in a Level Three Security for \$1.8 million in cash and \$4.0 million in Level One Securities. Paramount sold a portion of its Level One Securities in the first quarter of 2022 for cash proceeds of \$51.0 million. As a result of these transactions, \$12.9 million of accumulated net gains, net of tax, were reclassified from reserves to retained earnings.

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

	Nine months ended September 30, 2022	Twelve months ended December 31, 2021
Investments in securities, beginning of period	372.1	59.5
Changes in fair value of Level One Securities	124.1	256.0
Changes in fair value of Level Three Securities	5.9	60.8
Acquired - cash	1.7	1.0
Acquired - non-cash	4.3	-
Proceeds of dispositions - cash	(52.8)	(5.2)
Proceeds of dispositions - non-cash	(4.0)	-
Investments in securities, end of period	451.3	372.1

CORPORATE

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
General and administrative	9.7	10.4	29.2	29.7
Share-based compensation	3.2	3.0	12.2	11.1
Interest and financing	3.3	8.7	8.6	38.0
Accretion of asset retirement obligations	11.4	10.6	33.3	32.1
Settlement of dissent payment entitlement	-	-	-	22.6
Deferred income tax expense	53.9	89.1	116.6	49.0

General and administrative expense was \$9.7 million and \$29.2 million for the three and nine months ended September 30, 2022, respectively, relatively similar to the same periods in 2021.

Interest and financing expense was lower for the three and nine months ended September 30, 2022 compared to the same periods in 2021 mainly due to lower average debt balances under the Company's financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility"). Interest and financing expense for the three and nine months ended September 30, 2022 was reduced by \$1.0 million and \$6.3 million, respectively, related to unrealized gains on the portion of the Company's interest rate swaps not accounted for as cash flow hedges.

In June 2021, Paramount received \$67 million cash in settlement of dissent proceedings with respect to one of its investments. A loss of \$22.6 million was recognized in 2021 on the settlement. For additional information on the dissent payment entitlement, refer to Note 6 in the Annual Financial Statements.

Deferred income tax expense was \$53.9 million and \$116.6 million in the three and nine months ended September 30, 2022, respectively, compared to \$89.1 million and \$49.0 million recorded in the same periods in 2021.

CAPITAL EXPENDITURES AND LAND AND PROPERTY ACQUISITIONS

Capital Expenditures

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Drilling, completion, equipping and tie-ins	157.7	64.1	423.1	200.3
Facilities and gathering	6.8	0.4	17.3	4.4
Drilling rigs	10.8	1.9	13.7	3.7
Corporate	9.0	(0.3)	31.4	0.5
Capital expenditures	184.3	66.1	485.5	208.9
Grande Prairie Region	133.5	53.1	317.5	170.8
Kaybob Region	30.8	1.7	119.8	10.7
Central Alberta and Other Region	0.2	9.7	1.3	22.8
Fox Drilling and Cavalier	10.8	1.9	15.5	4.1
Corporate	9.0	(0.3)	31.4	0.5
Capital expenditures	184.3	66.1	485.5	208.9

Land and Property Acquisitions

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Land and property acquisitions	65.5	2.8	132.5	2.8

Capital expenditures totaled \$184.3 million in the third quarter of 2022 compared to \$66.1 million in the same period in 2021. Capital expenditures totaled \$485.5 million in the first nine months of 2022 compared to \$208.9 million in the same period in 2021. Expenditures in the first nine months of 2022 were mainly directed to drilling and completion programs in the Grande Prairie and Kaybob Regions. Significant capital program activities in the nine months ended September 30, 2022 included the following:

- At Karr, the Company drilled 14 (9.7) net wells, completed 16 (12.6 net) wells and brought-on production 12 (12.0 net) wells.
- At Wapiti, Paramount drilled 24 (24.0 net) wells, completed 17 (17.0 net) wells and brought-on production 20 (20.0 net) wells.
- In the Kaybob Region, the Company drilled 13 (11.5 net) wells, completed 14 (13.0 net) wells and brought-on production 12 (11.5 net) wells.

Land and property acquisitions for the three months ended September 30, 2022 include \$60.4 million for an asset acquisition in the Willesden Green Duvernay. For the nine months ended September 30, 2022, land and property acquisitions include \$98.3 million and \$24.1 million for asset acquisitions completed in Willesden Green Duvernay and Karr/Wapiti Montney, respectively.

During the second quarter of 2022, Cavalier entered into a farm-out agreement with Rubellite Energy Inc. ("Rubellite") under which Rubellite may earn up to a 60 percent working interest in 61.25 gross sections of Cavalier's Clearwater formation rights in the Peavine area of Alberta by drilling wells or making certain qualifying capital expenditures. A director and significant shareholder of Paramount is also the President and Chief Executive Officer, a director and significant shareholder of Rubellite.

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 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 for important additional information concerning these measures.

As at	September 30, 2022	December 31, 2021
Cash and cash equivalents	(2.2)	(1.7)
Accounts receivable ⁽¹⁾	(219.0)	(139.7)
Prepaid expenses and other	(13.8)	(7.3)
Accounts payable and accrued liabilities	275.7	219.1
Long-term debt	306.3	386.3
Net Debt	347.0	456.7

(1) Excludes accounts receivable relating to lease incentives and subleases (September 30, 2022 – \$7.4 million, December 31, 2021 – \$2.2 million).

Net debt does not account for the \$451.3 million carrying value of the Company's investments in securities as at September 30, 2022.

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 and available capacity under the Paramount Facility, the terms of which are described further below.

Based on the forecasts of 2022 and 2023 sales volumes and the pricing assumptions set out in this MD&A under "Updated 2022 Guidance" and "2023 Budget and Guidance", Paramount expects to fully fund budgeted 2022 and 2023 capital expenditures and net budgeted expenditures for abandonment and reclamation activities from cash from operating activities. Paramount may utilize borrowing capacity under the Paramount Facility for liquidity from time to time to temporarily fund operations during periods should expenditures exceed cash from operating activities.

The ability of cash from operating activities to satisfy the Company's funding requirements in 2022, 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 2022, Paramount sold a portion of its investments in securities for aggregate cash proceeds of \$51.0 million and, in October 2022, the Company completed the Roads Disposition for cash proceeds of approximately \$64.2 million. Proceeds from these dispositions were used to reduce indebtedness 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

In May 2022, the Company increased the capacity and extended the maturity date of the Paramount Facility. The Paramount Facility has a credit limit of \$1.0 billion, which can be increased by up to \$250 million at Paramount's request pursuant to an accordion feature in the facility, subject to incremental lender commitments. The maturity date of the Paramount Facility is May 3, 2026.

Borrowings under the Paramount Facility bear interest at the prime lending rate, US base rate, Canadian Dollar Offered Rates ("CDOR"), or Adjusted Term SOFR, as selected by the Company, plus an applicable margin which varies based on the Company's Senior Secured Debt to Consolidated EBITDA ratio. The Paramount Facility is secured by a charge over substantially all of the assets of the Company and its subsidiaries.

Paramount is subject to the following two financial covenants under the Paramount Facility which are tested at the end of each fiscal quarter and calculated on a trailing twelve-month basis:

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

Senior Secured Debt currently consists of amounts drawn on the Paramount Facility.

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

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

The Paramount Facility also contains a covenant requiring prior lender consent for the payment of dividends and other distributions if the Senior Secured Debt to Consolidated EBITDA ratio is greater than 2.50 to 1.00 *pro forma* the payment of the distribution.

Paramount was in compliance with the financial covenants under the Paramount Facility at September 30, 2022.

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling \$2.2 million at September 30, 2022 that reduce the amount available to be drawn on the facility.

Unsecured Letter of Credit Facility

The Company has a \$70 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. The PSG is valid to June 30, 2023. At September 30, 2022, \$25.5 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2021 – \$38.7 million).

Cash Flow Hedges

The Company had the following floating-to-fixed interest rate and electricity swaps at September 30, 2022:

Contract type	Aggregate notional	Remaining term	Average fixed contract rate	Reference	Fair value
Interest Rate Swaps	\$250 million	October 2022 – January 2023	2.3%	CDOR ⁽¹⁾	1.2
Interest Rate Swaps	\$250 million	October 2022 – January 2026	2.4%	CDOR ⁽¹⁾	11.2
Electricity Swaps	240 MWh/d ⁽²⁾	January 2023 – December 2023	\$84.00/MWh	AESO Pool Price ⁽³⁾	2.6
Electricity Swaps	240 MWh/d ⁽²⁾	January 2024 – December 2024	\$66.13/MWh	AESO Pool Price ⁽³⁾	1.5
Electricity Swaps	120 MWh/d ⁽²⁾	January 2025 – December 2025	\$73.25/MWh	AESO Pool Price ⁽³⁾	0.1
					16.6

(1) Canadian Dollar Offered Rate.

(2) "MWh" means megawatt-hour.

(3) Floating hourly rate established by the Alberta Electric System Operator.

The Company has classified its floating-to-fixed interest and electricity swaps as cash flow hedges and applied hedge accounting. During 2022, \$170 million of floating-to-fixed interest rate swaps were de-designated as cash flow hedges, resulting in unrealized gains that reduced interest and financing expense for the three and nine months ended September 30, 2022 by \$1.0 million and \$6.3 million, respectively. At September 30, 2022, \$320 million (December 31, 2021 – \$150 million) of the \$500 million floating-to-fixed interest rate swaps was not accounted for as a cash flow hedge due to borrowing levels under the Paramount Facility. There were no other changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified on the floating-to-fixed electricity swaps.

In the third quarter of 2022, the Company entered into floating-to-fixed electricity price swaps, which were designated as cash flow hedges, to manage exposure to variable market prices by fixing the underlying AESO Pool Price on a portion of the Company's anticipated power requirements for 2023, 2024 and 2025.

In the second quarter of 2022, it was announced that the calculation and publication of CDOR will cease in June 2024. The Company's floating-to-fixed interest rate swap contracts reference CDOR. Paramount is monitoring the impact to the hedge relationship of the cessation of CDOR and the proposed transition to a rate based on the Canadian Overnight Repo Rate Average ("CORRA").

Share Capital

At November 1, 2022, Paramount had 141.5 million Common Shares outstanding (net of 0.8 million Common Shares held in trust under the Company's restricted share unit plan) and 9.7 million options to acquire Common Shares outstanding, of which 3.6 million options are exercisable.

Dividends

Dividends declared in the nine months ended September 30, 2022 totaled \$0.78 per Common Share. The Company also paid a dividend of \$0.10 per Common Share on October 31, 2022 to shareholders of record on October 17, 2022.

Normal Course Issuer Bid

In June 2022, Paramount implemented a normal course issuer bid (the "2022 NCIB") under which the Company may purchase up to 7.6 million Common Shares for cancellation. The 2022 NCIB will terminate on the earlier of June 29, 2023 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2022 NCIB are purchased. Purchases of Common Shares under the 2022 NCIB will be effected through the facilities of the TSX 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 2022 NCIB to date.

Paramount previously implemented a normal course issuer bid in June 2021 (the "2021 NCIB"). In the third quarter of 2021, the Company purchased and cancelled 197,500 Common Shares at a total cost of \$2.7 million (\$13.69 per share) under the 2021 NCIB, which expired on June 29, 2022.

QUARTERLY INFORMATION

	2022			2021			2020	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Petroleum and natural gas sales	618.9	536.2	499.6	434.5	369.2	299.8	280.1	202.6
Revenue	607.4	493.7	472.2	404.1	369.6	288.4	270.1	207.3
Net income (loss)	221.9	182.2	16.6	101.0	292.7	(74.3)	(82.5)	311.5
Per share – basic (\$/share)	1.57	1.29	0.12	0.75	2.20	(0.56)	(0.62)	2.35
Per share – diluted (\$/share)	1.51	1.24	0.11	0.70	2.06	(0.56)	(0.62)	2.35
Cash from operating activities ⁽¹⁾	248.9	318.9	174.9	191.8	97.0	112.1	81.3	53.2
Per share – basic (\$/share)	1.76	2.26	1.25	1.42	0.73	0.84	0.61	0.40
Per share – diluted (\$/share)	1.69	2.16	1.20	1.33	0.68	0.84	0.61	0.40
Adjusted funds flow ⁽¹⁾	334.3	258.3	237.8	174.6	148.4	86.0	90.9	67.9
Per share – basic (\$/share)	2.37	1.83	1.70	1.29	1.12	0.65	0.69	0.51
Per share – diluted (\$/share)	2.27	1.75	1.63	1.21	1.04	0.65	0.69	0.51
Dividends declared (\$/share)	0.30	0.28	0.20	0.14	0.06	–	–	–
Sales volumes								
Natural gas (MMcf/d)	315.9	267.2	272.9	284.8	269.7	273.1	273.1	256.3
Condensate and oil (Bbl/d)	38,804	27,750	31,375	32,342	32,177	29,543	29,854	25,752
Other NGLs (Bbl/d)	6,144	5,021	5,276	5,462	5,017	4,938	5,170	4,987
Total (Boe/d)	97,601	77,312	82,137	85,265	82,150	79,995	80,540	73,460
Liquids %	46%	42%	45%	44%	45%	43%	43%	42%
Realized prices ⁽¹⁾								
Natural gas (\$/Mcf)	6.39	6.75	5.18	4.76	3.89	3.01	3.14	2.83
Condensate and oil (\$/Bbl)	112.56	134.65	117.53	94.46	84.42	77.96	69.20	52.03
Other NGLs (\$/Bbl)	51.20	62.80	61.64	54.61	47.05	32.11	32.29	20.61
Petroleum and natural gas (\$/Boe)	68.92	76.22	67.59	55.40	48.86	41.18	38.64	29.97

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

Significant Items Impacting Quarterly Results

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

- Third quarter 2022 earnings include the impacts of record 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.
- The second quarter 2021 loss includes a \$75.7 million loss on risk management contracts and a charge of \$42.0 million related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value.
- The first quarter 2021 loss includes an \$81.2 million loss on risk management contracts, a charge of \$69.5 million mainly 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 \$41.4 million gain on the sale of oil and gas assets.
- Fourth quarter 2020 earnings include aggregate impairment reversals of \$333.7 million from previously recorded impairment charges of petroleum and natural gas assets and a deferred income tax recovery of \$64.4 million, partially offset by a charge of \$29.7 million related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value.

OTHER INFORMATION

Lease liabilities

In the third quarter of 2022, Paramount recognized a lease liability of \$14.0 million and a lease incentive receivable of \$6.3 million related to a new 14 year lease of office space.

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 September 30, 2022, 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, are experiencing significant and persistent rates of inflation across broad categories of goods and services. The existence and economic impact of these conditions and the response thereto increases the Company's exposure to the risks described under "Volatility of Oil, NGLs and Natural Gas 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 Exchange Rates" in the Risk Factors section of the Annual Information Form.

The Russian invasion of the Ukraine: (i) has resulted in additional volatility in global financial and commodity markets which could increase the Company's exposure to the risks described under "Volatility of Oil, NGLs and Natural Gas Prices and Price Differentials", "Market Price of Common Shares", "Investment Risk" and "Hedging, Interest Rates and Foreign Exchange Rates" in the Risk Factors section of the Annual Information Form and (ii) has increased the potential for supply chain constraints and disruptions which could increase the Company's exposure to the risks described under "Uncertainty as to Costs" and "Availability of Equipment, Materials and Services" in the Risk Factors section of the Annual Information Form.

The course of the COVID-19 pandemic remains highly uncertain. The extent to which the COVID-19 pandemic impacts Paramount's future operations and financial performance are currently unknown and are dependent on a number of unpredictable factors outside of the knowledge and control of Management, including the duration and severity of the pandemic, the impact of the pandemic on economic growth, inflation, supply chains, commodity prices and financial and capital markets and governmental responses and restrictions. These uncertainties may continue to persist beyond the point where the outbreak of the COVID-19 virus has subsided. See "Risk Factors – COVID 19 Pandemic" in the Annual Information Form.

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 conventional natural gas and shale gas combined. "Condensate and oil" refers to condensate, light and medium crude oil and tight 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, tight oil and light and medium crude oil. Numbers may not add due to rounding.

	2022			2021				2020	YTD	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	2022	2021
SALES VOLUMES – TOTAL COMPANY BY PRODUCT TYPE										
Shale gas (MMcf/d)	253.8	203.7	213.1	220.4	207.1	205.8	197.8	170.7	223.7	203.7
Conventional natural gas (MMcf/d)	62.1	63.5	59.8	64.4	62.6	67.3	75.3	85.6	61.8	68.3
Natural gas (MMcf/d)	315.9	267.2	272.9	284.8	269.7	273.1	273.1	256.3	285.5	272.0
Condensate (Bbl/d)	35,747	25,374	29,064	29,797	29,670	26,784	27,017	22,782	30,086	27,833
Other NGLs (Bbl/d)	6,144	5,021	5,276	5,462	5,017	4,938	5,170	4,987	5,484	5,041
NGLs (Bbl/d)	41,891	30,395	34,340	35,259	34,687	31,722	32,187	27,769	35,570	32,874
Tight oil (Bbl/d)	449	402	437	497	475	494	479	437	429	483
Light and medium crude oil (Bbl/d)	2,608	1,974	1,874	2,048	2,032	2,265	2,358	2,533	2,155	2,217
Crude oil (Bbl/d)	3,057	2,376	2,311	2,545	2,507	2,759	2,837	2,970	2,584	2,700
Total (Boe/d)	97,601	77,312	82,137	85,265	82,150	79,995	80,540	73,460	85,740	80,901
SALES VOLUMES – BY REGION BY PRODUCT TYPE										
GRANDE PRAIRIE REGION										
Shale gas (MMcf/d)	188.2	138.8	151.4	156.5	145.8	132.2	120.6	92.7	159.6	132.9
Conventional natural gas (MMcf/d)	1.4	1.0	1.1	2.4	2.2	2.1	2.0	1.6	1.2	2.1
Natural gas (MMcf/d)	189.6	139.8	152.5	158.9	148.0	134.3	122.6	94.3	160.8	135.0
Condensate (Bbl/d)	30,610	22,511	26,042	26,272	26,639	24,086	23,974	19,635	26,405	24,909
Other NGLs (Bbl/d)	3,758	2,914	3,267	3,276	3,274	2,874	2,984	2,429	3,315	3,045
NGLs (Bbl/d)	34,368	25,425	29,309	29,548	29,913	26,960	26,958	22,064	29,720	27,954
Light and medium crude oil (Bbl/d)	5	5	6	6	9	4	–	–	5	5
Crude oil (Bbl/d)	5	5	6	6	9	4	–	–	5	5
Total (Boe/d)	65,981	48,736	54,737	56,035	54,586	49,345	47,385	37,782	56,526	50,465
KAYBOB REGION										
Shale gas (MMcf/d)	38.5	37.9	35.7	35.6	36.9	39.3	42.1	41.9	37.4	39.5
Conventional natural gas (MMcf/d)	54.8	56.7	53.6	56.8	54.4	58.0	65.8	76.3	55.0	59.3
Natural gas (MMcf/d)	93.3	94.6	89.3	92.4	91.3	97.3	107.9	118.2	92.4	98.8
Condensate (Bbl/d)	4,157	2,092	2,130	2,184	2,072	2,319	2,611	2,631	2,801	2,332
Other NGLs (Bbl/d)	1,666	1,585	1,558	1,788	1,415	1,569	1,677	1,953	1,603	1,553
NGLs (Bbl/d)	5,823	3,677	3,688	3,972	3,487	3,888	4,288	4,584	4,404	3,885
Tight oil (Bbl/d)	208	253	322	355	368	354	342	299	260	355
Light and medium crude oil (Bbl/d)	2,434	1,946	1,832	2,000	1,979	2,224	2,321	2,480	2,073	2,173
Crude oil (Bbl/d)	2,642	2,199	2,154	2,355	2,347	2,578	2,663	2,779	2,333	2,528
Total (Boe/d)	24,021	21,642	20,726	21,725	21,054	22,688	24,938	27,056	22,142	22,879

	2022			2021				2020	YTD	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	2022	2021
CENTRAL ALBERTA AND OTHER REGION										
Shale gas (MMcf/d)	27.1	27.0	26.0	28.2	24.4	34.3	35.1	36.1	26.7	31.3
Conventional natural gas (MMcf/d)	5.9	5.8	5.1	5.3	6.0	7.2	7.5	7.7	5.6	6.9
Natural gas (MMcf/d)	33.0	32.8	31.1	33.5	30.4	41.5	42.6	43.8	32.3	38.2
Condensate (Bbl/d)	980	771	892	1,341	959	379	433	515	880	592
Other NGLs (Bbl/d)	720	522	451	398	328	495	509	605	566	443
NGLs (Bbl/d)	1,700	1,293	1,343	1,739	1,287	874	942	1,120	1,446	1,035
Tight oil (Bbl/d)	241	149	115	142	107	140	136	138	169	128
Light and medium crude oil (Bbl/d)	169	23	36	42	44	37	37	54	77	39
Crude oil (Bbl/d)	410	172	151	184	151	177	173	192	246	167
Total (Boe/d)	7,599	6,934	6,674	7,505	6,510	7,962	8,217	8,622	7,072	7,557
SALES VOLUMES – KARR BY PRODUCT TYPE										
Shale gas (MMcf/d)	112.9	94.2	112.8	122.5	113.0	106.3	89.1	69.6	106.7	102.9
Conventional natural gas (MMcf/d)	0.5	0.4	0.5	1.5	1.4	1.3	1.1	0.9	0.4	1.3
Natural gas (MMcf/d)	113.4	94.6	113.3	124.0	114.4	107.6	90.2	70.5	107.1	104.2
Condensate (Bbl/d)	16,799	13,551	17,246	18,521	18,328	18,458	16,095	13,348	15,863	17,635
Other NGLs (Bbl/d)	2,394	1,978	2,475	2,449	2,477	2,281	2,108	1,817	2,282	2,290
NGLs (Bbl/d)	19,193	15,529	19,721	20,970	20,805	20,739	18,203	15,165	18,145	19,925
Total (Boe/d)	38,088	31,295	38,611	41,629	39,878	38,679	33,230	26,914	35,996	37,286
SALES VOLUMES – WAPITI BY PRODUCT TYPE										
Shale gas (MMcf/d)	75.3	44.6	38.6	34.0	32.8	25.9	31.5	23.1	52.9	30.0
Conventional natural gas (MMcf/d)	0.9	0.6	0.6	0.9	0.8	0.8	0.9	0.7	0.8	0.8
Natural gas (MMcf/d)	76.2	45.2	39.2	34.9	33.6	26.7	32.4	23.8	53.7	30.8
Condensate (Bbl/d)	13,811	8,960	8,796	7,751	8,311	5,628	7,879	6,287	10,542	7,274
Other NGLs (Bbl/d)	1,364	936	792	827	797	593	876	612	1,033	755
NGLs (Bbl/d)	15,175	9,896	9,588	8,578	9,108	6,221	8,755	6,899	11,575	8,029
Light and medium crude oil (Bbl/d)	5	5	6	6	9	4	-	-	5	5
Crude oil (Bbl/d)	5	5	6	6	9	4	-	-	5	5
Total (Boe/d)	27,893	17,441	16,126	14,406	14,708	10,666	14,155	10,868	20,530	13,179

The Company forecasts that fourth quarter 2022 sales volumes will average between 103,000 Boe/d and 107,000 Boe/d (55% shale gas and conventional natural gas combined, 39% light and medium crude oil, tight oil and condensate combined and 6% other NGLs).

The Company forecasts that 2022 annual sales volumes will average between 90,000 Boe/d and 91,000 Boe/d (55% shale gas and conventional natural gas combined, 38% light and medium crude oil, tight oil and condensate combined and 7% other NGLs).

The Company forecasts that 2023 annual sales volumes will average between 105,000 Boe/d and 110,000 Boe/d (54% shale gas and conventional natural gas combined, 40% light and medium crude oil, tight oil and condensate combined and 6% other NGLs). First half 2023 sales volumes are expected to average between 101,000 Boe/d and 106,000 Boe/d (55% shale gas and conventional natural gas combined, 39% light and medium crude oil, tight oil and condensate combined and 6% other NGLs). Second half 2023 sales volumes are expected to average between 109,000 Boe/d and 114,000 Boe/d (54% shale gas and conventional natural gas combined, 40% light and medium crude oil, tight oil and condensate combined and 6% 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 nine months ended September 30, 2022 and 2021 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 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 nine months ended September 30, 2022 and 2021 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 nine months ended September 30, 2022 and 2021 is provided in this MD&A under "Consolidated Results – Free Cash Flow".

A calculation of net debt as at September 30, 2022 and December 31, 2021 is provided in this MD&A under "Liquidity and Capital Resources". At September 30, 2022, Paramount's net debt to adjusted funds flow (determined on a trailing four quarter basis) was 0.3x (December 31, 2021 – 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:

- the expected impact on operating expenses of the Road Disposition;
- forecast sales volumes for 2022 and 2023 and certain periods therein;
- planned capital expenditures in 2022 and 2023 and the allocation thereof;
- forecast free cash flow in 2022 and 2023;
- planned abandonment and reclamation expenditures in 2022 and 2023;
- preliminary anticipated capital expenditures in 2024 and the allocation thereof and the resulting expected 2024 average sales volumes and free cash flow;
- the Company's free cash flow priorities, including its plans to direct the majority of its near-term free cash flows to further reduce credit facility drawings;
- planned exploration, development and production activities;
- the expectation that the Company will be able to fund budgeted capital expenditures and net abandonment and reclamation expenditures in 2022 and 2023 with cash from operating activities;
- the anticipation that legal proceedings will not have a material impact on Paramount's financial position;
- the potential payment of future dividends; and
- the potential impacts of inflation, the COVID-19 pandemic and the Russian invasion of Ukraine.

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 COVID-19 pandemic;
- 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 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, product yields and resource recoveries) and operational improvements, efficiencies and results consistent with expectations;
- the timely receipt of required governmental and regulatory approvals;
- the receipt of benefits under government programs;
- 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 third-party facilities, 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 anticipated 2024 capital expenditures prior to finalization and changes to the resulting expected 2024 average sales volumes and free cash flow;
- 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 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 any 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, 2021, 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 2022, 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

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/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
Oil Equivalent		NYMEX	New York Mercantile Exchange
Boe	Barrels of oil equivalent	AECO	AECO-C reference price
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 nine months ended September 30, 2022, the value ratio between crude oil and natural gas was approximately 23:1. 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.