Paramount
resources ltd.

Management's Discussion and Analysis
For the year ended December 31, 2023

This Management's Discussion and Analysis ("MD&A"), dated March 5, 2024, should be read in conjunction with the audited consolidated financial statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the year ended December 31, 2023 (the "Consolidated Financial Statements"). Financial data included in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and is stated in millions of Canadian dollars, unless otherwise noted. The Company's accounting policies have been applied consistently to all periods presented.

ABOUT PARAMOUNT

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

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

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

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

SPECIFIED FINANCIAL MEASURES, PRODUCT TYPES AND OTHER ADVISORIES

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

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

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

FINANCIAL AND OPERATING HIGHLIGHTS

	2023	2022	2021
FINANCIAL			
Petroleum and natural gas sales	1,798.5	2,252.4	1,383.6
Net income	470.2	680.6	236.9
Per share – basic ($/share)	3.29	4.83	1.77
Per share – diluted ($/share)	3.17	4.63	1.67
Cash from operating activities	938.2	1,049.6	482.1
Per share – basic ($/share) (1)	6.56	7.45	3.61
Per share – diluted ($/share) (1)	6.32	7.14	3.39
Adjusted funds flow (1)	965.3	1,171.0	499.8
Per share – basic ($/share)	6.75	8.32	3.74
Per share – diluted ($/share)	6.51	7.97	3.51
Free cash flow (1)	168.4	471.1	191.8
Per share – basic ($/share)	1.18	3.35	1.44
Per share – diluted ($/share)	1.13	3.20	1.36
Total assets	4,388.7	4,337.3	3,885.1
Investments in securities	540.9	557.1	372.1
Long-term debt	–	159.4	386.3
Net (cash) debt (1)	59.6	161.2	456.7
Total liabilities	889.5	959.2	1,278.7
Common shares outstanding (millions) (2)	144.2	142.0	139.2
Dividends declared and paid ($/share)	2.50	1.13	0.20
OPERATING			
Sales volumes			
Natural gas (MMcf/d)	315.1	294.7	275.2
Condensate and oil (Bbl/d)	37,657	33,908	30,989
Other NGLs (Bbl/d)	6,226	5,650	5,147
Total (Boe/d)	96,393	88,672	82,001
% Liquids	46%	45%	44%
Realized prices (1)			
Natural gas ($/Mcf)	3.04	6.24	3.72
Condensate and oil ($/Bbl)	99.25	117.07	81.91
Other NGLs ($/Bbl)	36.06	55.37	41.84
Petroleum and natural gas sales ($/Boe)	51.12	69.60	46.23
Capital expenditures	732.1	655.0	274.6

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

(2) Common shares are presented net of shares held in trust under the Company's restricted share unit plan (Common Shares): 2023: 0.4 million; 2022: 0.8 million; 2021: 1.5 million.

2023 OVERVIEW

Paramount's 2023 financial and operating results include: [(1)]

- Record annual sales volumes of 96,393 Boe/d (46% liquids), in-line with updated guidance of 95,000 to 98,000 Boe/d (46% liquids). Annual sales volumes increased 9% percent relative to 2022 despite an approximate 3,700 Boe/d impact of the 2023 Kaybob Disposition (as defined below) and an estimated 3,300 Boe/d impact of the Alberta wildfires.

- Sales volumes in the fourth quarter of 101,348 Boe/d (46% liquids), in-line with updated guidance of 100,000 Boe/d to 103,000 Boe/d (47% liquids).

- Cash from operating activities of $938.2 million ($6.56 per basic share).

- Adjusted funds flow of $965.3 million ($6.75 per basic share).

- Capital expenditures of $732.1 million, in-line with updated guidance of $725 million to $750 million. Capital expenditures were largely directed to the Grande Prairie Region Montney development and the Kaybob North and Willesden Green Duvernay developments.

- Asset retirement obligations settled of $54.6 million, which included the abandonment of 82 wells and reclamation of 113 sites.

- Free cash flow of $168.4 million ($1.18 per basic share), in-line with updated guidance of approximately $165 million.

- The closing of the sale of the Company’s Kaybob Smoky and Kaybob South Duvernay properties and certain other minor interests in January 2023 for cash proceeds of $370.2 million (the "2023 Kaybob Disposition"). Following the closing of the 2023 Kaybob Disposition, the Company repaid all of the then outstanding drawings under its $1.0 billion revolving credit facility.

- The payment of total cash dividends of $355.4 million, comprised of a special dividend of $1.00 per Common Share and regular monthly dividends of $0.125 per Common Share.

- A reduction of net debt by $101.6 million to $59.6 million at year end, resulting in net debt to adjusted funds flow of 0.1x. Paramount's $1.0 billion revolving credit facility was undrawn at December 31, 2023.

- The carrying value of the Company's investments in securities at December 31, 2023 was $540.9 million.

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

REVISED GUIDANCE

Paramount is revising its forecast of 2024 sales volumes to a range of 100,000 Boe/d to 106,000 Boe/d (47% liquids), 9,000 Boe/d lower at the midpoint than prior guidance of 108,000 Boe/d to 116,000 Boe/d (47% liquids).

The significant factors contributing to the revision are described below.

- The non-core Kaybob Region asset disposition completed in February 2024 (the "2024 Kaybob Disposition") has reduced forecast 2024 average sales volumes by approximately 1,000 Boe/d.
- Paramount has shut-in dry gas production due to the current natural gas price environment, reducing forecast 2024 average sales volumes by approximately 2,250 Boe/d. The Company continues to closely monitor market conditions and may restore or further reduce production as conditions warrant.
- Sales volumes were approximately 95,000 Boe/d (46% liquids) in January and 103,000 Boe/d (48% liquids) in February based on field estimates, approximately 14,000 Boe/d lower on average across the two months than expected. Cold weather in January resulted in a number of significant production upsets, particularly in the Grande Prairie Region. In addition, production was impacted by intermittent run time at key facilities, an unplanned pipeline outage in the Karr field that shut-in approximately 4,000 Boe/d of production for two weeks and the outage of a water disposal well in the Grande Prairie Region that will continue until the third quarter of 2024.
- 2024 production expectations from the five (5.0 net) well Karr 7-33S pad that was brought onstream in the third quarter of 2023 have been downwardly revised by approximately 3,500 Boe/d (55% liquids). Early production from the wells significantly exceeded type curve expectations and the prior guidance forecasted continued outperformance. The wells, which paid out in approximately three months of being brought onstream, are now performing in line with type curve expectations and the Company has reduced forecast sales volumes for the pad accordingly.
- The Company has benefited from strong new well performance in the Grande Prairie Region in growing its production base and maximizing netbacks, leading to the optimization of production from mature wells being deferred. There are currently 31 wells shut-in and 13 wells that would benefit from intervention in the Grande Prairie Region. The Company will incur incremental operating expenditures to pursue an aggressive well optimization program beginning in 2024 to increase production from these wells, the full benefit of which has not been incorporated into the revised 2024 sales volume forecast.
- In total, Grande Prairie Region sales volumes are forecast to be approximately 6,000 Boe/d lower in 2024, primarily as a result of the revised Karr 7-33S pad production, earlier than anticipated tubing installations on certain wells at Karr due to higher than expected CGRs and the rescheduling of the 21-day outage at the third-party Wapiti natural gas processing plant from May to September.
- The Company has increased forecasted sales volumes by a total of 1,500 Boe/d in the Kaybob Region and Central Alberta and Other Region, largely due to better than expected Duvernay results.

The table below summarizes significant factors contributing to the revision in Paramount's 2024 sales volumes guidance at the midpoint:

	Midpoint Annual Average Sales Volumes (Boe/d)
Prior 2024 guidance	112,000
2024 Kaybob Disposition	-1,000
Dry gas production shut-ins	-2,250
January and February sales volumes lower than forecast	-1,250
Revisions to Grande Prairie Region forecast	-6,000
Revisions to Kaybob and Central Alberta and Other Region forecasts	+1,500
Revised 2024 guidance	**103,000**

The Company is updating its forecast of 2024 free cash flow to approximately $235 million from $350 million to reflect revised midpoint 2024 forecast sales volumes of 103,000 Boe/d (47% liquids) and updated operating cost, royalty and other assumptions. Free cash flow does not include the $47 million cash proceeds from the 2024 Kaybob Disposition.

<table>
<tr><th></th><th>Prior 2024 Guidance</th><th>Revised 2024 Guidance</th></tr>
<tr><td>WTI</td><td>US$80.00/Bbl</td><td rowspan="3">No change</td></tr>
<tr><td>NYMEX</td><td>US$3.50/MMBtu</td></tr>
<tr><td>AECO</td><td>$2.84/GJ</td></tr>
<tr><td>Annual average sales volumes (Boe/d)</td><td>108,000 to 116,000 (47% liquids)</td><td>100,000 to 106,000 (47% liquids)</td></tr>
<tr><td>First half 2024 (Boe/d)</td><td>101,000 to 111,000 (46% liquids)</td><td>96,000 to 100,000 (47% liquids)</td></tr>
<tr><td>Second half 2024 (Boe/d)</td><td>115,000 to 121,000 (47% liquids)</td><td>104,000 to 112,000 (47% liquids)</td></tr>
<tr><td>Capital expenditures</td><td>$830 to $890 million</td><td rowspan="4">No change</td></tr>
<tr><td>Sustaining and Maintenance</td><td>$415 to $445 million</td></tr>
<tr><td>Growth</td><td>$415 to $445 million</td></tr>
<tr><td>Abandonment and reclamation expenditures</td><td>$40 million</td></tr>
<tr><td>Free cash flow [1]</td><td>$350 million</td><td>$235 million</td></tr>
</table>

The Company's midpoint 2024 capital program, abandonment and reclamation expenditures and regular monthly dividend is fully funded under the above forecast. The Company's midpoint 2024 sustaining and maintenance capital program, abandonment and reclamation expenditures and regular monthly dividend would remain fully funded down to an average WTI price in 2024 of about US$61/Bbl, assuming no changes to the other forecast assumptions. See "Advisories – Pricing Sensitivity" for additional sensitivities of 2024 free cash flow to changes in commodity price assumptions.

(1) Free cash flow is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure. The stated free cash flow forecast is based on the following assumptions for 2024: (i) the midpoint of stated capital expenditures and sales volumes, (ii) $40 million in abandonment and reclamation costs, (iii) $10 million in geological and geophysical expenses, (iv) realized pricing of $56.90/Boe (reflecting changes to production mix); (v) a $US/$CAD exchange rate of $0.735, (vi) royalties of $8.35/Boe, (vii) operating costs of $12.90/Boe and (vii) transportation and NGLs processing costs of $3.85/Boe. For comparative purposes, the previous 2024 free cash flow forecast utilized the following differing assumptions as to the following factors: (i) $7 million in geological and geophysical expenses, (ii) realized pricing of $56.40/Boe, (iii) royalties of $8.80/Boe, (iv) operating costs of $12.05/Boe and (v) transportation and NGLs processing costs of $3.70/Boe.

CONSOLIDATED RESULTS

Net Income

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

Year ended December 31	
Net income – 2022	**680.6**
• Lower netback in 2023 mainly due to lower commodity prices	(430.4)
• Higher depletion and depreciation expense in 2023	(115.9)
• Provisions expense in 2023 compared to a $21.9 million recovery in 2022	(24.4)
• Gain on risk management contracts in 2023 compared to a loss in 2022	235.8
• Higher gain on sale of oil and gas assets in 2023	60.7
• Lower income tax expense in 2023	55.7
• Lower exploration and evaluation expense in 2023	17.1
• Other	(9.0)
Net income – 2023	**470.2**

Paramount recorded net income of $680.6 million for the year ended December 31, 2022 compared to $236.9 million for the year ended December 31, 2021. Significant factors contributing to the change are shown below:

Year ended December 31	
Net income – 2021	**236.9**
• Higher netback in 2022, mainly due to higher commodity prices and sales volumes	590.2
• Provisions recovery in 2022 compared to an expense in 2021	45.9
• Lower interest and financing expense in 2022	40.7
• Loss on settlement of dissent payment entitlement in 2021	22.6
• Higher depletion, depreciation and impairment reversals expense in 2022	(152.9)
• Higher income tax expense in 2022	(99.6)
• Other	(3.2)
Net income – 2022	**680.6**

Cash From Operating Activities

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

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

Cash from operating activities for the year ended December 31, 2022 was $1,049.6 million compared to $482.1 million for the year ended December 31, 2021. Significant factors contributing to the change are shown below:

Year ended December 31	
Cash from operating activities – 2021	**482.1**
• Higher netback in 2022, mainly due to higher commodity prices and sales volumes	590.2
• Provisions recovery in 2022 compared to an expense in 2021	45.9
• Lower payments on risk management contract settlements in 2022	39.3
• Lower interest and financing expense in 2022	36.3
• Change in non-cash working capital	(131.1)
• Higher asset retirement obligations settled in 2022	(10.7)
• Other	(2.4)
Cash from operating activities – 2022	**1,049.6**

Adjusted Funds Flow

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

Year ended December 31	**2023**	2022	2021
Cash from operating activities	**938.2**	1,049.6	482.1
Change in non-cash working capital (1)	**(40.2)**	98.4	(32.7)
Geological and geophysical expense (2)	**10.2**	8.8	8.0
Asset retirement obligations settled (1)	**54.6**	36.1	25.4
Provisions (3)	**2.5**	(21.9)	24.0
Settlements (4)	**–**	–	(7.0)
Adjusted funds flow (5)	**965.3**	1,171.0	499.8
Adjusted funds flow ($/Boe) (6)	**27.43**	36.18	16.70

(1) Refer to the consolidated statements of cash flows in the Consolidated Financial Statements.
(2) Refer to Note 5 in the Consolidated Financial Statements.
(3) Refer to Note 16 in the Consolidated Financial Statements.
(4) Refer to Note 16 in the Company's consolidated financial statements as at and for the year ended December 31, 2022.
(5) 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.
(6) Adjusted funds flow ($/Boe) is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information.

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

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

Adjusted funds flow for the year ended December 31, 2022 was $1,171.0 million compared to $499.8 million for the year ended December 31, 2021. Significant factors contributing to the change are shown below:

Year ended December 31	
Adjusted funds flow – 2021	**499.8**
• Higher netback in 2022, mainly due to higher commodity prices and sales volumes	590.2
• Lower payments on risk management contract settlements in 2022	39.3
• Lower interest and financing expense in 2022	36.3
• Other	5.4
Adjusted funds flow – 2022	**1,171.0**

Free Cash Flow

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

Year ended December 31	**2023**	2022	2021
Cash from operating activities	**938.2**	1,049.6	482.1
Change in non-cash working capital (1)	**(40.2)**	98.4	(32.7)
Geological and geophysical expense (2)	**10.2**	8.8	8.0
Asset retirement obligations settled (1)	**54.6**	36.1	25.4
Provisions (3)	**2.5**	(21.9)	24.0
Settlements (4)	**–**	–	(7.0)
Adjusted funds flow	**965.3**	1,171.0	499.8
Capital expenditures (1)	**(732.1)**	(655.0)	(274.6)
Geological and geophysical expense (2)	**(10.2)**	(8.8)	(8.0)
Asset retirement obligations settled (1)	**(54.6)**	(36.1)	(25.4)
Free cash flow (5)	**168.4**	471.1	191.8

(1) Refer to the consolidated statements of cash flows in the Consolidated Financial Statements.
(2) Refer to Note 5 in the Consolidated Financial Statements.
(3) Refer to Note 16 in the Consolidated Financial Statements.
(4) Refer to Note 16 in the Company's consolidated financial statements as at and for the year ended December 31, 2022.
(5) Free cash flow is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.

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

Year ended December 31	
Free cash flow – 2022	**471.1**
• Lower adjusted funds flow (described in "Adjusted Funds Flow" section above)	(205.7)
• Higher capital expenditures in 2023	(77.1)
• Higher asset retirement obligations settled in 2023	(18.5)
• Higher geological and geophysical expense in 2023	(1.4)
Free cash flow – 2023	**168.4**

Free cash flow for the year ended December 31, 2022 was $471.1 million compared to $191.8 million for the year ended December 31, 2021. Significant factors contributing to the change are shown below:

Year ended December 31	
Free cash flow – 2021	**191.8**
• Higher adjusted funds flow (described in "Adjusted Funds Flow" section above)	671.2
• Higher capital expenditures in 2022	(380.4)
• Higher asset retirement obligations settled in 2022	(10.7)
• Higher geological and geophysical expense in 2022	(0.8)
Free cash flow – 2022	**471.1**

OPERATING RESULTS

Netback

Year ended December 31	**2023**		2022	
		($/Boe)[(1)(2)]		*($/Boe)[(1)(2)]*
Natural gas revenue [(3)]	***349.1***	***3.04***	*671.1*	*6.24*
Condensate and oil revenue [(3)]	***1,364.2***	***99.25***	*1,448.9*	*117.07*
Other NGLs revenue [(3)]	***81.9***	***36.06***	*114.2*	*55.37*
Royalty income and other revenue [(3)]	***3.3***	***–***	*18.2*	*–*
Petroleum and natural gas sales [(4)]	***1,798.5***	***51.12***	*2,252.4*	*69.60*
Royalties [(4)]	***(254.3)***	***(7.23)***	*(335.3)*	*(10.36)*
Operating expense [(4)]	***(453.8)***	***(12.90)***	*(407.1)*	*(12.58)*
Transportation and NGLs processing [(4)]	***(134.4)***	***(3.82)***	*(123.7)*	*(3.82)*
Sales of commodities purchased [(4)]	***255.1***	***7.25***	*272.0*	*8.41*
Commodities purchased [(4)]	***(250.2)***	***(7.11)***	*(267.0)*	*(8.25)*
Netback [(5)]	***960.9***	***27.31***	*1,391.3*	*43.00*
Risk management contract settlements [(6)]	***46.7***	***1.33***	*(179.0)*	*(5.53)*
Netback including risk management contract settlements [(7)]	***1,007.6***	***28.64***	*1,212.3*	*37.47*

(1) Natural gas revenue shown per Mcf.
(2) When presented on a $/Boe or $/Mcf basis, each of the components of Netback is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.
(3) Refer to Note 15 in the Consolidated Financial Statements. Royalty income and other revenue for the year ended December 31, 2022 includes $11.9 million in business interruption insurance proceeds related to losses in prior years.
(4) Refer to the consolidated statements of comprehensive income in the Consolidated Financial Statements.
(5) Netback is a non-GAAP financial measure. Netback presented on a $/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.
(6) Refer to Note 14 in the Consolidated Financial Statements.
(7) Netback including risk management contract settlements is a non-GAAP financial measure. Netback including risk management contract settlements presented on a $/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

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

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

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

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

Petroleum and natural gas sales were $2,252.4 million in 2022, an increase of $868.8 million from 2021, mainly due to higher commodity prices and sales volumes.

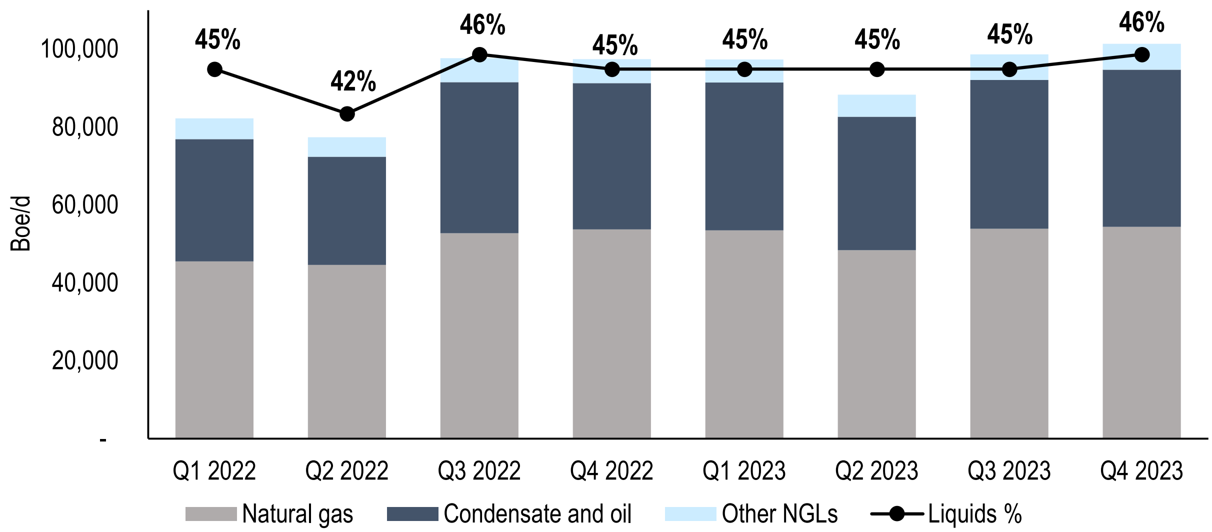
The impact of changes in prices and sales volumes on petroleum and natural gas sales are as follows:

	Natural gas	Condensate and oil	Other NGLs	Royalty income and other revenue	Total
Year ended December 31, 2021	373.3	926.5	78.6	5.2	1,383.6
Effect of changes in prices	271.4	435.1	27.9	–	734.4
Effect of changes in sales volumes	26.4	87.3	7.7	–	121.4
Change in royalty income and other revenue	–	–	–	13.0	13.0
Year ended December 31, 2022	**671.1**	**1,448.9**	**114.2**	**18.2**	**2,252.4**

Sales Volumes

	Year ended December 31											
	Natural gas (MMcf/d) [1]			Condensate and oil (Bbl/d) [1]			Other NGLs (Bbl/d) [1]			Total (Boe/d) [1]		
	2023	2022	*Chg*	2023	2022	*Chg*	2023	2022	*Chg*	2023	2022	*Chg*
Grande Prairie	**209.7**	168.2	*25%*	**31,585**	27,099	*17%*	**4,414**	3,394	*30%*	**70,943**	58,519	*21%*
Kaybob	**72.8**	93.5	*(22%)*	**4,253**	5,519	*(23%)*	**1,070**	1,620	*(34%)*	**17,449**	22,730	*(23%)*
Central Alberta and Other	**32.6**	33.0	*(1%)*	**1,819**	1,290	*41%*	**742**	636	*17%*	**8,001**	7,423	*8%*
Total	**315.1**	294.7	*7%*	**37,657**	33,908	*11%*	**6,226**	5,650	*10%*	**96,393**	88,672	*9%*

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



Sales volumes averaged 96,393 Boe/d (46% liquids) for the year ended December 31, 2023, a new annual record for the Company, compared to 88,672 Boe/d (45% liquids) for the year ended December 31, 2022.

Average sales volumes in 2023 increased nine percent compared to 2022, despite an approximate 3,700 Boe/d impact of the 2023 Kaybob Disposition and an estimated 3,300 Boe/d impact of the Alberta wildfires. The Alberta wildfires impacted second quarter 2023 average sales volumes by an estimated 12,000 Boe/d and third quarter 2023 average sales volumes by an estimated 1,000 Boe/d.

Grande Prairie Region sales volumes averaged 70,943 Boe/d (51% liquids) in 2023, compared to 58,519 Boe/d (52% liquids) in 2022. The 21 percent increase was mainly due to new wells brought onstream and the completion early in the second quarter of 2023 of infrastructure debottlenecking in the region. The Alberta wildfires impacted Grande Prairie Region annual average sales volumes by an estimated 1,500 Boe/d in 2023. Grande Prairie Region sales volumes in 2023 were also impacted by an estimated 5,800 Boe/d related to outages and curtailments associated with third-party midstream facilities (2022 – approximately 7,800 Boe/d).

Kaybob Region sales volumes averaged 17,449 Boe/d (31% liquids) in 2023 compared to 22,730 Boe/d (31% liquids) in 2022. Sales volumes in 2023 were lower by approximately 3,700 Boe/d compared to 2022 due to the 2023 Kaybob Disposition. The Alberta wildfires impacted Kaybob Region annual average sales volumes by an estimated 1,800 Boe/d in 2023.

Sales volumes in the Central Alberta and Other Region averaged 8,001 Boe/d (32% liquids) in 2023 compared to 7,423 Boe/d (26% liquids) in 2022. The increase was mainly due to two Willesden Green Duvernay property acquisitions completed in 2022.

Commodity Prices

Year Ended December 31	2023	2022	% Change
Natural Gas (1)			
Paramount realized natural gas price ($/Mcf)	**3.04**	6.24	*(51)*
AECO daily spot ($/GJ)	**2.50**	5.04	*(50)*
AECO monthly index ($/GJ)	**2.78**	5.27	*(47)*
Dawn ($/MMBtu)	**3.19**	7.92	*(60)*
NYMEX (US$/MMBtu)	**2.66**	6.51	*(59)*
Malin daily index (US$/MMBtu)	**4.69**	8.38	*(44)*
Condensate and Oil (1)			
Paramount realized condensate & oil price ($/Bbl)	**99.25**	117.07	*(15)*
Edmonton light sweet crude oil ($/Bbl)	**99.87**	119.73	*(17)*
Edmonton condensate ($/Bbl)	**102.80**	121.28	*(15)*
West Texas Intermediate crude oil (US$/Bbl)	**77.63**	94.23	*(18)*
Other NGLs (1)			
Paramount realized Other NGLs price ($/Bbl)	**36.06**	55.37	*(35)*
Conway – propane ($/Bbl)	**39.10**	59.63	*(34)*
Belvieu – butane ($/Bbl)	**51.83**	71.06	*(27)*
Foreign Exchange			
$CAD / 1 $US	**1.35**	1.30	*4*

(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, Oregon and Eastern Canada markets, which are sold in a combination of daily, monthly, seasonal and fixed basis differential physical contracts. The Company's current natural gas sales portfolio includes approximately 60,000 GJ/d of natural gas priced at Dawn and approximately 22,000 GJ/d of natural gas priced at Malin. Beginning in the fourth quarter of 2024, Paramount has secured ex-Alberta to Iroquois transportation of approximately 20,000 GJ/d of natural gas. Paramount's 2022 and 2023 natural gas portfolio included arrangements to sell approximately 60,000 GJ/d of natural gas at Dawn, approximately 22,000 GJ/d of natural gas at Malin and 40,000 GJ/d of natural gas sales priced at the US Midwest.

Realized natural gas prices in 2022 include the impacts of sales under fixed-price physical contracts. In 2022, 57,000 GJ/d of natural gas was sold at a fixed price of CAD$3.83/GJ and 12,000 MMBtu/d of natural gas was sold at a fixed price of US$4.03/MMBtu.

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

Paramount's propane and butane volumes are sold under monthly and long-term contracts with prices based on the Edmonton market, adjusted for transportation and fractionation.

Subsequent to December 31, 2023, the Company entered into the following basis differential physical sales contracts:

	Volume	Location	Average price	Remaining term
Natural Gas	37,500 MMBtu/d	AECO	NYMEX – US$0.93/MMBtu (1)	April 2024 – October 2024

(1) "NYMEX" refers to NYMEX pricing at Henry Hub.

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:

Year ended December 31	2023	2022
Fair value, beginning of year	11.8	5.4
Changes in fair value	48.0	(160.1)
Settlements (received) paid	(59.8)	166.5
Fair value, end of year	–	11.8

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

Subsequent to December 31, 2023, Paramount entered into the following financial commodity contracts:

Instruments	Aggregate amount / notional	Average price or rate	Remaining term
Oil			
MSW WTI Differential Swap (Sale) (1)	1,000 Bbl/d	WTI – US$2.40/Bbl	May 2024 – December 2024

(1) "MSW" refers to Mix Sweet Blend crude oil at Edmonton and "WTI" means West Texas Intermediate.

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

Foreign Currency Exchange Contracts

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

Year ended December 31	2023	2022
Fair value, beginning of year	(9.8)	0.4
Changes in fair value	5.1	(22.7)
Settlements paid	13.1	12.5
Fair value, end of year	8.4	(9.8)

The Company had the following foreign currency exchange contracts at December 31, 2023:

Instruments	Aggregate amount / notional	Average rate (1)	Remaining term
Swaps (Sale)	US$30 million / month	1.3433 CAD$/US$1.00	January 2024 – June 2024
Swaps (Sale)	US$30 million / month	1.3462 CAD$/US$1.00	July 2024 – December 2024

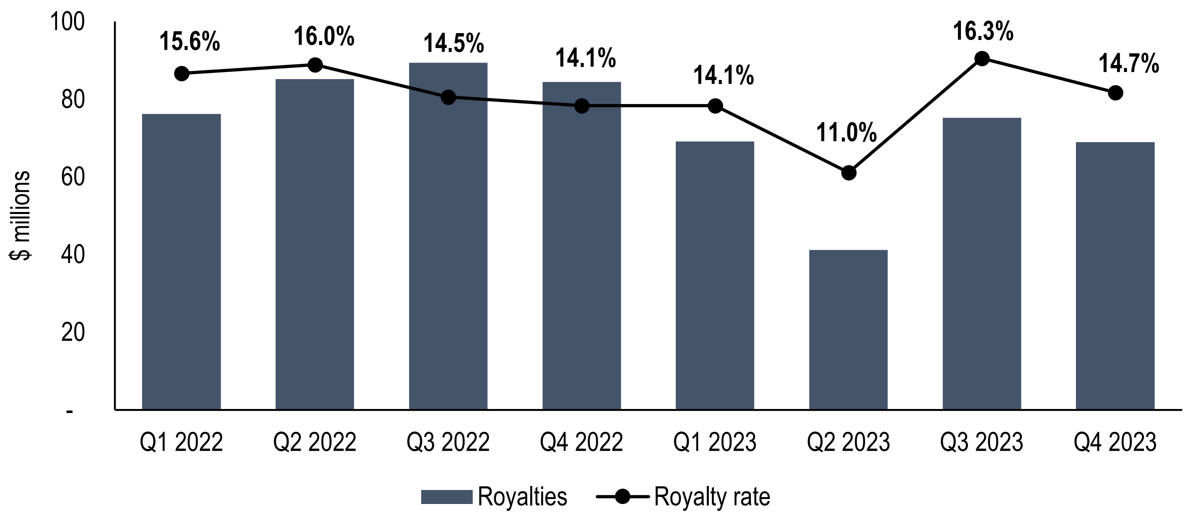
(1) Average rate is calculated using a weighted average of notional volumes and foreign currency exchange rates.

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

Royalties

Year ended December 31	2023	Rate	2022	Rate
Royalties	254.3	14.2%	335.3	15.0%
$/Boe (1)	*7.23*		*10.36*	

(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.

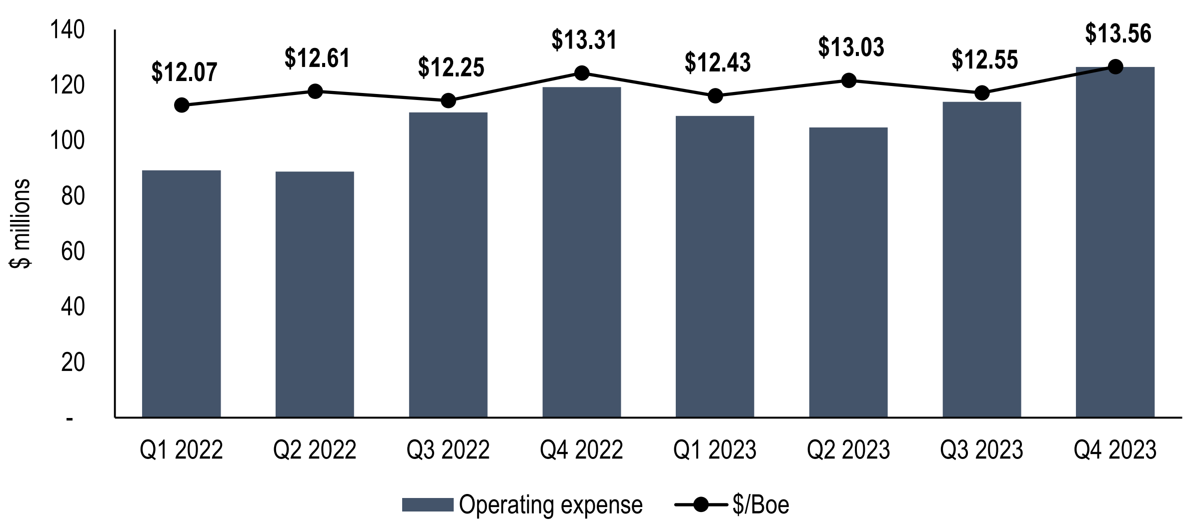


Royalties were $254.3 million for the year ended December 31, 2023 compared to $335.3 million in the same period in 2022. Royalties decreased in 2023 due to lower petroleum and natural gas sales and lower royalty rates. Royalty rates decreased in 2023 mainly due to lower commodity prices.

Operating Expense

Year ended December 31	2023	2022	% Change
Operating expense	453.8	407.1	*11*
$/Boe (1)	*12.90*	*12.58*	*3*

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



Operating expenses were $453.8 million for the year ended December 31, 2023, 11 percent higher than in 2022, mainly as a result of higher third-party processing fees from a nine percent increase in sales volumes compared to 2022 and increased workover and maintenance activities. These increases were partially offset by lower power costs and the impact of the 2023 Kaybob Disposition.

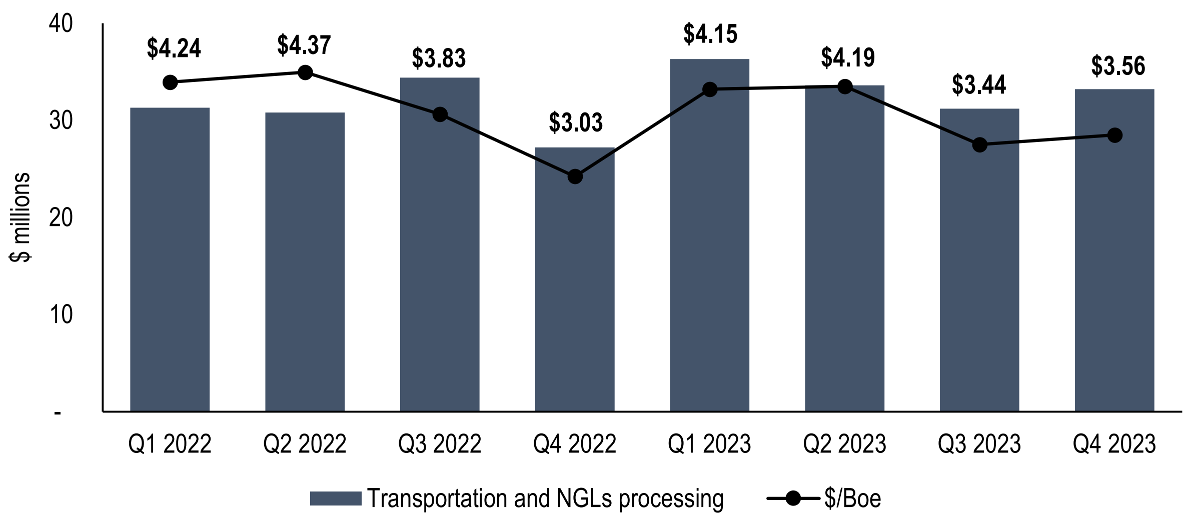
Operating expenses in the Grande Prairie Region were $297.8 million ($11.50/Boe) in 2023 compared to $247.6 million ($11.59/Boe) in 2022, a 20 percent increase. Grande Prairie Region operating expenses were higher mainly as a result of a 21 percent increase in the region's sales volumes compared to 2022, resulting in higher third-party processing fees, as well as increased workover and maintenance activities.

Total Company operating expenses were $12.90/Boe for the year ended December 31, 2023 compared to $12.58/Boe in 2022, mainly due to fixed costs comprising a higher proportion of operating expenses in the Kaybob Region following the 2023 Kaybob Disposition and increased workover and maintenance activities. These impacts were partially offset by higher sales volumes.

Transportation and NGLs Processing

Year ended December 31	2023	2022	% Change
Transportation and NGLs processing	134.4	123.7	9
$/Boe (1)	*3.82*	*3.82*	–

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



Transportation and NGLs processing expense for the year ended December 31, 2023 was $134.4 million, nine percent higher than 2022, mainly as a result of a nine percent increase in sales volumes compared to 2022. Fourth quarter 2022 transportation and NGLs processing expense included the impact of 13th month adjustments for volumes shipped in 2022.

Sales of Commodities Purchased and Commodities Purchased

Year ended December 31	2023	2022	% Change
Sales of commodities purchased	**255.1**	272.0	*(6)*
Commodities purchased	**(250.2)**	(267.0)	*(6)*

Paramount purchases commodities from third parties from time to time to fulfill sales commitments and for blending purposes. The Company sells these products to its customers. These transactions are presented as separate revenue and expenses items in the consolidated statements of comprehensive income in the Consolidated Financial Statements.

Other Items

Year ended December 31	2023	2022
Depletion and depreciation	**382.0**	335.8
Change in asset retirement obligations	**19.9**	(39.8)
Alberta site rehabilitation program funding	**–**	(10.0)
Exploration and evaluation expense	**13.5**	30.6
Gain on sale of oil and gas assets	**(126.3)**	(65.6)
Accretion of asset retirement obligations	**43.2**	44.9

Depletion and depreciation expense was $382.0 million in 2023 compared to $335.8 million in 2022. The increase in depletion and depreciation expense in 2023 was attributable to both higher sales volumes and higher depletion rates per Boe.

For the year ended December 31, 2023, the Company recorded a charge of $19.9 million (2022 – a recovery of $39.8 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 mainly resulted from revisions in the credit-adjusted risk-free rate used to discount the Company's asset retirement obligations.

Exploration and evaluation expense was $13.5 million for the year ended December 31, 2023 compared to $30.6 million in 2022. The decrease in 2023 was primarily due to lower expenses related to expired mineral leases.

The 2023 Kaybob Disposition closed in January 2023. Paramount received cash proceeds of $370.2 million on the sale, resulting in a $120.6 million gain on sale of oil and gas assets in 2023. The properties sold had average sales volumes of approximately 4,700 Boe/d (13.8 MMcf/d of shale gas and 2,400 Bbl/d of NGLs) and a netback of approximately $21 million in the fourth quarter of 2022, the last full quarter prior to sale. The assets and liabilities associated with the 2023 Kaybob Disposition were presented as held for sale at December 31, 2022.

In October 2022, the Company closed the sale of approximately 60 kilometers of operated resources roads in the Kaybob Region (the "Roads Disposition") for cash proceeds of $64.2 million. A gain of $62.4 million was recognized on the sale in 2022.

Accretion of asset retirement obligations was $43.2 million for the year ended December 31, 2023, relatively consistent compared to $44.9 million for the same period in 2022.

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations settled for the year ended December 31, 2023 totaled $54.6 million. Activities in 2023 included the abandonment of 82 wells and the reclamation of 113 sites.

The Company's budget for abandonment and reclamation activities in 2024 remains unchanged at approximately $40 million.

As at December 31, 2023, estimated undiscounted, uninflated asset retirement obligations were $1,295.4 million (December 31, 2022 – $1,296.0 million). As at December 31, 2023, the Company's discounted asset retirement obligations were $587.3 million (discounted at 7.75 percent per annum and using an inflation rate of 2.0 percent per annum) compared to $540.1 million as at December 31, 2022 (discounted at 8.5 percent per annum and using an inflation rate of 2.0 percent per annum). For further details concerning the Company's asset retirement obligations, refer to Note 9 in the Consolidated Financial Statements.

OTHER ASSETS

Investments in Securities

As at December 31	2023	2022
Level one fair value hierarchy securities ("Level One Securities")	422.0	477.3
Level three fair value hierarchy securities ("Level Three Securities")	118.9	79.8
	540.9	557.1

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

Level One Securities at December 31, 2023 included 37.3 million common shares of NuVista Energy Ltd. ("NuVista Shares") (December 31, 2022 – 37.3 million common shares), which had a carrying value of $411.3 million (December 31, 2022 – $464.9 million).

Level Three Securities at December 31, 2023 and 2022 included investments in the shares of Sultran Ltd. ("Sultran") and Westbrick Energy Ltd.

Paramount received total cash dividends of $8.4 million in 2023 (2022 – $0.8 million) on its investment in securities, including $7.8 million from Sultran.

The Company recorded an unrealized loss of $17.1 million, before tax, to other comprehensive income ("OCI") for the year ended December 31, 2023 (2022 – unrealized gain of $235.3 million) related to changes in the fair value estimates of its investments in securities.

In 2022, Paramount disposed of 2.5 million NuVista Shares as well as investments in other Level One Securities and Level Three Securities for aggregate proceeds of $56.8 million, resulting in $12.9 million of accumulated net gains, net of tax, being reclassified from reserves to retained earnings.

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

Cavalier Energy

Cavalier Energy is a wholly-owned subsidiary of Paramount. Cavalier Energy holds approximately 1.30 million net acres of land located primarily in the Athabasca and Peace River regions of Alberta that are prospective for cold flow heavy oil and in-situ thermal oil recovery. These holdings include 293,000 net acres with Clearwater and Bluesky cold flow heavy oil potential. 2 (2.0 net) Bluesky wells were drilled by Cavalier Energy in 2023.

Fox Drilling

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

Other Strategic Investments

Paramount's other land holdings include 207,000 net acres of undeveloped land in the Mackenzie Delta and Central Mackenzie in the Northwest Territories prospective for natural gas and oil production.

CORPORATE

Year ended December 31	2023	2022
General and administrative	49.4	42.7
Share-based compensation	33.4	25.3
Interest and financing	6.5	6.4
Deferred income tax expense	129.5	185.2
Other	(7.3)	(27.5)

General and administrative expense was $49.4 million for the year ended December 31, 2023, compared to $42.7 million in 2022. The increase in general and administrative expense in 2023 mainly related to an increase in headcount and higher employee compensation costs.

Share-based compensation expense was $33.4 million for the year ended December 31, 2023, compared to $25.3 million in 2022. This increase was mainly due to higher accrued grants under the Company's restricted share unit program.

Interest and financing expense was $6.5 million for the year ended December 31, 2023 compared to $6.4 million in 2022. Interest and financing expense in 2022 was reduced by $10.2 million related to the impacts of $500 million of floating-to-fixed interest rate swaps, which were terminated in December 2022 for a payment to the Company of $10.3 million. Average outstanding amounts under the Company's $1.0 billion financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility") were lower in 2023 versus 2022.

Deferred income tax expense was $129.5 million for the year ended December 31, 2023 compared to $185.2 million recorded in 2022. The Company has tax pools of approximately $4 billion at December 31, 2023, the majority of which are immediately deductible.

Other for the year ended December 31, 2023 was mainly related to dividend income of $8.4 million received on the Company's investments in securities. In 2022, the Company reached an agreement to settle certain claims involving a service provider, resulting in a $24.0 million recovery being recognized within Other in the year.

CAPITAL EXPENDITURES AND LAND AND PROPERTY ACQUISITIONS

Capital Expenditures

Year ended December 31	2023	2022
Drilling, completion, equipping and tie-ins	558.5	494.6
Facilities and gathering	142.6	97.6
Drilling rigs	18.8	22.1
Corporate	12.2	40.7
Capital expenditures	732.1	655.0
Grande Prairie Region	380.3	453.3
Kaybob Region	190.4	131.2
Central Alberta and Other Region	120.0	2.1
Fox Drilling and Cavalier Energy	29.2	27.7
Corporate	12.2	40.7
Capital expenditures	732.1	655.0

Land and Property Acquisitions

Year ended December 31	2023	2022
Land and property acquisitions	79.2	145.8

Capital expenditures totaled $732.1 million for the year ended December 31, 2023 compared to $655.0 million in 2022. Expenditures in 2023 were mainly directed to drilling and completion activities in the Grande Prairie and Kaybob Regions and drilling, completion and facility expansion activities at Willesden Green in the Central Alberta and Other Region. Significant capital program activities in 2023 included the following:

- In the Grande Prairie Region, the Company drilled and completed 33 (33.0 net) operated Montney wells and brought onstream 35 (35.0 net) Montney operated wells. Early in the second quarter of 2023, the Company also completed a multi-year debottlenecking project to facilitate sales volume growth in the region. In addition, 4 (0.5 net) non-operated wells were drilled, completed and brought-on production.

- In the Kaybob Region, the Company drilled 10 (10.0 net) Duvernay wells and 2 (1.4 net) Montney wells and brought onstream 3 (3.0 net) Duvernay wells.

- In the Central Alberta and Other Region, the Company drilled 4 (4.0 net) Duvernay wells and brought onstream 2 (2.0 net) Duvernay wells at Willesden Green. In December 2023, Paramount completed the liquids handling expansion of its Leafland natural gas processing plant at Willesden

Green. Following the expansion, the raw handling capacity of the plant is approximately 6,000 Bbl/d of liquids and 22 MMcf/d of natural gas.

- Fox Drilling and Cavalier Energy capital expenditures included costs related to the construction of a fifth super-spec walking rig that was completed in the fourth quarter of 2023 and the drilling of 2 (2.0 net) Bluesky wells and completion of 1 (1.0 net) Bluesky well.

Land and property acquisitions totaled $79.2 million in 2023 compared to $145.8 million in 2022.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

iii. maximize shareholder returns considering the risk environment.

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

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

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

As at December 31	2023	2022
Cash and cash equivalents	**(48.9)**	(2.5)
Accounts receivable (1)	**(155.0)**	(216.5)
Prepaid expenses and other	**(9.0)**	(9.1)
Accounts payable and accrued liabilities	**272.5**	229.9
Long-term debt	**–**	159.4
Net (cash) debt	**59.6**	161.2

(1) Excludes accounts receivable relating to lease incentives and subleases (December 31, 2023 – $0.8 million, December 31, 2022 – $6.7 million).

Net (cash) debt does not account for the $540.9 million carrying value of the Company's investments in securities as at December 31, 2023 (December 31, 2022 – $557.1 million).

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

Based on the forecasts of 2024 sales volumes and the pricing assumptions set out in this MD&A under "Revised Guidance", Paramount expects to fully fund its forecast 2024 annual maintenance and sustaining capital expenditures, abandonment and reclamation expenditures and regular monthly dividends from cash from operating activities. Paramount expects to utilize borrowing capacity under the Paramount Facility to fund any portion of its forecast 2024 growth capital expenditures not otherwise funded by cash from operating activities or other sources.

The ability of cash from operating activities to satisfy the Company's funding requirements in 2024 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 February 2024, the Company completed the 2024 Kaybob Disposition for cash proceeds of approximately $47 million. In the first quarter of 2023, Paramount completed the 2023 Kaybob Disposition for cash proceeds of $370.2 million and repaid all remaining drawings then outstanding under the Paramount Facility. In October 2022, the Company closed the Roads Disposition for cash proceeds of $64.2 million, which was 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

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

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling $3.1 million at December 31, 2023 (December 31, 2022 – $2.2 million) that reduce the amount available to be drawn on the facility.

For additional information concerning the Paramount Facility, refer to Note 8 in the Consolidated Financial Statements.

Unsecured Letter of Credit Facility

The Company has a $90 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank. Paramount's obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada. The PSG is valid to June 30, 2025. At December 31, 2023, $30.1 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2022 – $24.2 million).

Cash Flow Hedges

The Company had the following electricity swaps at December 31, 2023:

Contract type	Aggregate notional (1)	Remaining term	Average fixed contract rate (1)	Reference (1)	Fair value
Electricity Swaps (Buy)	240 MWh/d	January 2024 – December 2024	$66.13/MWh	AESO Pool Price	1.5
Electricity Swaps (Buy)	240 MWh/d	January 2025 – December 2025	$71.13/MWh	AESO Pool Price	(0.5)
					1.0

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

The Company has classified its electricity swaps as cash flow hedges and applied hedge accounting. There were no changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified at December 31, 2023.

In December 2022, Paramount terminated all $500 million notional amount of its floating-to-fixed interest rate swaps for aggregate cash proceeds to the Company of $10.3 million.

Share Capital

At March 1, 2024, Paramount had 144.4 million Common Shares outstanding (net of 0.4 million Common Shares held in trust under the Company's restricted share unit plan) and 11.4 million options to acquire Common Shares outstanding, of which 3.7 million options are exercisable.

For the year ended December 31, 2023, Paramount issued 1.8 million Common Shares on the exercise of options to acquire Common Shares.

Dividends

For the year ended December 31, 2023, Paramount declared total cash dividends of $2.50 per Common Share or $355.4 million (2022 – $1.13 per Common Share or $160.4 million), comprised of a special dividend of $1.00 per Common Share and regular monthly dividends totaling $1.50 per Common Share. Subsequent to December 31, 2023, the Company paid regular monthly cash dividends of $0.125 per Common Share on January 31, 2024 and February 29, 2024 to shareholders of record on January 15, 2024 and February 15, 2024, respectively.

Normal Course Issuer Bid

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

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

FOURTH QUARTER RESULTS

Net Income

Three months ended December 31	2023	2022
Petroleum and natural gas sales	470.5	597.7
Royalties	(68.9)	(84.4)
Sales of commodities purchased	50.2	102.7
Revenue	451.8	616.0
Gain on risk management contracts	53.4	8.1
	505.2	624.1
Expenses		
Operating expense	126.4	119.2
Transportation and NGLs processing	33.2	27.2
Commodities purchased	47.4	100.4
General and administrative	10.5	13.6
Share-based compensation	17.8	13.1
Depletion and depreciation	131.8	95.2
Exploration and evaluation	5.4	4.7
Gain on sale of oil and gas assets	(3.4)	(63.7)
Interest and financing expense (income)	2.0	(2.2)
Accretion of asset retirement obligations	10.8	11.6
Other	(7.3)	(23.4)
	374.6	295.7
Income before tax	130.6	328.4
Income tax expense		
Deferred	18.7	68.5
Net income	111.9	259.9
Net income per common share ($/share)		
Basic	0.78	1.83
Diluted	0.75	1.76

Paramount recorded net income of $111.9 million for the three months ended December 31, 2023 compared to $259.9 million in the same period in 2022. Significant factors contributing to the change are shown below:

Three months ended December 31	
Net income – 2022	**259.9**
• Lower netback in 2023 mainly due to lower commodity prices	(124.4)
• Lower gain on sale of oil and gas assets in 2023	(60.3)
• Higher depletion and depreciation expense in 2023	(36.6)
• Provisions recovery in 2022	(24.0)
• Lower income tax expense in 2023	49.8
• Higher gain on risk management contracts in 2023	45.3
• Other	2.2
Net income – 2023	**111.9**

Cash From Operating Activities

Three months ended December 31	2023	2022
Operating activities		
Net income	111.9	259.9
Add (deduct):		
Items not involving cash	169.5	102.7
Asset retirement obligations settled	(12.8)	(7.0)
Change in non-cash working capital	18.4	(48.7)
Cash from operating activities	287.0	306.9

Cash from operating activities for the three months ended December 31, 2023 was $287.0 million compared to $306.9 million for the same period in 2022. Significant factors contributing to the change are shown below:

Three months ended December 31	
Cash from operating activities – 2022	**306.9**
• Lower netback in 2023 mainly due to lower commodity prices	(124.4)
• Provisions recovery in 2022	(24.0)
• Change in non-cash working capital	67.1
• Receipts on risk management contract settlements in 2023 compared to payments in 2022	66.0
• Other	(4.6)
Cash from operating activities – 2023	**287.0**

Adjusted Funds Flow

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

Three months ended December 31	2023	2022
Cash from operating activities	287.0	306.9
Change in non-cash working capital	(18.4)	48.7
Geological and geophysical expense	2.7	2.1
Asset retirement obligations settled	12.8	7.0
Provisions	–	(24.0)
Adjusted funds flow (1)	284.1	340.7
Adjusted funds flow ($/Boe) (2)	30.48	38.02

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

Adjusted funds flow in the fourth quarter of 2023 was $284.1 million compared to $340.7 million in the same period in 2022. Significant factors contributing to the change are shown below:

Three months ended December 31	
Adjusted funds flow – 2022	**340.7**
• Lower netback in 2023 mainly due to lower commodity prices	(124.4)
• Receipts on risk management contract settlements in 2023 compared to payments in 2022	66.0
• Other	1.8
Adjusted funds flow – 2023	**284.1**

Free Cash Flow

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

Three months ended December 31	2023	2022
Cash from operating activities	287.0	306.9
Change in non-cash working capital	(18.4)	48.7
Geological and geophysical expense	2.7	2.1
Asset retirement obligations settled	12.8	7.0
Provisions	–	(24.0)
Adjusted funds flow	284.1	340.7
Capital expenditures	(208.9)	(169.6)
Geological and geophysical expense	(2.7)	(2.1)
Asset retirement obligations settled	(12.8)	(7.0)
Free cash flow (1)	59.7	162.0

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

Free cash flow in the fourth quarter of 2023 was $59.7 million compared to $162.0 million in the same period in 2022. Significant factors contributing to the change are shown below:

Three months ended December 31	
Free cash flow – 2022	**162.0**
• Lower adjusted funds flow (described in "Adjusted Funds Flow" section above)	(56.6)
• Higher capital expenditures in 2023	(39.3)
• Higher asset retirement obligations settled in 2023	(5.8)
• Higher geological and geophysical expense in 2023	(0.6)
Free cash flow – 2023	59.7

Netback

Three months ended December 31	2023		2022	
		($/Boe)(1)(2)		($/Boe)(1)(2)
Natural gas revenue	83.7	2.79	194.2	6.56
Condensate and oil revenue	363.7	98.12	375.1	108.50
Other NGLs revenue	22.2	36.00	27.3	48.25
Royalty income and other revenue	0.9	–	1.1	–
Petroleum and natural gas sales	470.5	50.46	597.7	66.72
Royalties	(68.9)	(7.39)	(84.4)	(9.43)
Operating expense	(126.4)	(13.56)	(119.2)	(13.31)
Transportation and NGLs processing	(33.2)	(3.56)	(27.2)	(3.03)
Sales of commodities purchased	50.2	5.38	102.7	11.47
Commodities purchased	(47.4)	(5.08)	(100.4)	(11.21)
Netback (3)	244.8	26.25	369.2	41.21
Risk management contract settlements	43.0	4.61	(23.0)	(2.57)
Netback including risk management contract settlements (4)	287.8	30.86	346.2	38.64

(1) Natural gas revenue shown per Mcf.
(2) When presented on a $/Boe or $/Mcf basis, each of the components of Netback is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.
(3) Netback is a non-GAAP financial measure. Netback presented on a $/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.
(4) Netback including risk management contract settlements is a non-GAAP financial measure. Netback including risk management contract settlements presented on a $/Boe basis is a non-GAAP ratio. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.

Fourth quarter 2023 petroleum and natural gas sales were $470.5 million, a decrease of $127.2 million from the fourth quarter of 2022, due to lower commodity prices.

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

	Natural gas	Condensate and oil	Other NGLs	Royalty income and other revenue	Total
Three months ended December 31, 2022	194.2	375.1	27.3	1.1	597.7
Effect of changes in prices	(113.1)	(38.5)	(7.6)	–	(159.2)
Effect of changes in sales volumes	2.6	27.1	2.5	–	32.2
Change in royalty income and other revenue	–	–	–	(0.2)	(0.2)
Three months ended December 31, 2023	**83.7**	**363.7**	**22.2**	**0.9**	**470.5**

Sales Volumes

	Three months ended December 31											
	Natural gas (MMcf/d) (1)			Condensate and oil (Bbl/d) (1)			Other NGLs (Bbl/d) (1)			Total (Boe/d) (1)		
	2023	2022	*Chg*	2023	2022	*Chg*	2023	2022	*Chg*	2023	2022	*Chg*
Grande Prairie	**214.4**	189.9	*13%*	**32,382**	29,146	*11%*	**4,742**	3,631	*31%*	**72,860**	64,434	*13%*
Kaybob	**79.8**	96.9	*(18%)*	**5,810**	6,661	*(13%)*	**1,209**	1,671	*(28%)*	**20,324**	24,477	*(17%)*
Central Alberta and Other	**32.0**	35.1	*(9%)*	**2,098**	1,773	*18%*	**747**	841	*(11%)*	**8,164**	8,459	*(3%)*
Total	**326.2**	321.9	*1%*	**40,290**	37,580	*7%*	**6,698**	6,143	*9%*	**101,348**	97,370	*4%*

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

Sales volumes in the fourth quarter of 2023 averaged 101,348 Boe/d (46% liquids), a new quarterly record for the Company, compared to 97,370 Boe/d (45% liquids) in the fourth quarter of 2022.

Grande Prairie Region sales volumes in the fourth quarter of 2023 increased 13 percent to 72,860 Boe/d (51% liquids), compared to 64,434 Boe/d (51% liquids) in the same period in 2022. The increase was mainly due to new wells brought onstream and the completion early in the second quarter of 2023 of infrastructure debottlenecking in the region. Grande Prairie Region sales volumes in the fourth quarter of 2023 were impacted by an estimated 3,400 Boe/d related to the previously disclosed 11 day planned outage of the third-party Wapiti gas processing plant as well as an estimated 2,600 Boe/d related to unplanned outages and curtailments associated with third-party midstream facilities (fourth quarter of 2022 – approximately 5,400 Boe/d of outages and curtailments associated with third-party midstream facilities).

Kaybob Region sales volumes were 20,324 Boe/d (35% liquids) in the fourth quarter of 2023, 4,153 Boe/d lower than the fourth quarter of 2022, mainly due to the 2023 Kaybob Disposition.

Sales volumes in the Central Alberta and Other Region were 8,164 Boe/d (35% liquids) in the fourth quarter of 2023, three percent lower than in the same period in 2022, mainly due to natural declines.

Commodity Prices

Three months ended December 31	2023	2022	% Change
Natural Gas [(1)]			
Paramount realized natural gas price ($/Mcf)	**2.79**	6.56	*(57)*
AECO daily spot ($/GJ)	**2.18**	4.85	*(55)*
AECO monthly index ($/GJ)	**2.52**	5.29	*(52)*
Dawn ($/MMBtu)	**3.17**	7.14	*(56)*
NYMEX (US$/MMBtu)	**2.91**	6.09	*(52)*
Malin daily index (US$/MMBtu)	**3.64**	14.36	*(75)*
Condensate and Oil [(1)]			
Paramount realized condensate & oil price ($/Bbl)	**98.12**	108.50	*(10)*
Edmonton light sweet crude oil ($/Bbl)	**97.55**	108.15	*(10)*
Edmonton condensate ($/Bbl)	**104.09**	115.50	*(10)*
West Texas Intermediate crude oil (US$/Bbl)	**78.32**	82.64	*(5)*
Other NGLs [(1)]			
Paramount realized Other NGLs price ($/Bbl)	**36.00**	48.25	*(25)*
Conway – propane ($/Bbl)	**37.04**	46.45	*(20)*
Belvieu – butane ($/Bbl)	**53.58**	55.77	*(4)*
Foreign Exchange			
$CAD / 1 $US	**1.36**	1.36	–

(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.

Realized natural gas prices in the fourth quarter of 2022 include the impacts of sales under fixed-price physical contracts. In the fourth quarter of 2022, 27,000 GJ/d of natural gas was sold at a fixed price of CAD$3.78/GJ and 7,000 MMBtu/d of natural gas was sold at a fixed price of US$4.03/MMBtu.

The Company's propane and butane volumes are sold under monthly and long-term contracts. The contracts in place in 2023 had wider differentials relative to benchmark prices compared to the same period in 2022.

Royalties were $68.9 million in the fourth quarter of 2023, $15.5 million lower than the same period in 2022, mainly due to lower petroleum and natural gas sales, partially offset by higher royalty rates. Royalty rates increased from 14.1 percent in the fourth quarter of 2022 to 14.7 percent in the same period in 2023 mainly due to a greater proportion of wells having fully utilized new well royalty incentives in the Grande Prairie Region.

Operating expenses were $126.4 million in the fourth quarter of 2023 compared to $119.2 million in the same period in 2022. Operating expenses were six percent higher in 2023 mainly as a result of higher third-party processing fees from a four percent increase in sales volume compared to 2022 and increased workover and maintenance activities. These increases were partially offset by lower power costs and the impact of the 2023 Kaybob Disposition.

Fourth quarter 2023 operating expenses in the Grande Prairie Region were $84.1 million ($12.54/Boe) compared to $69.9 million ($11.80/Boe) in the fourth quarter of 2022, a 20 percent increase. Grande Prairie Region operating expenses were higher mainly as a result of increased workover and maintenance activities in 2023 as well as a 13 percent increase in the region's sales volumes in the fourth quarter of 2023 compared to the same period in 2022, resulting in higher third-party processing fees. Grande Prairie

Region per unit operating expenses in the fourth quarter of 2023 were higher than the same period in 2022 mainly due to increased workover and maintenance activities.

Total Company per unit operating expenses were $13.56/Boe in the fourth quarter of 2023 compared to $13.31/Boe in the fourth quarter of 2022, mainly due to increased workover and maintenance activities and fixed costs comprising a higher proportion of operating expenses in the Kaybob Region following the 2023 Kaybob Disposition. These impacts were partially offset by higher sales volumes.

Transportation and NGLs processing expense was $33.2 million in the fourth quarter of 2023 compared to $27.2 million in the same period in 2022. The increase was mainly due to higher sales volumes and the impact of a 13th month adjustment recorded in the fourth quarter of 2022 related to volumes shipped in 2022.

Sales of commodities purchased were $50.2 million in the fourth quarter of 2023 compared $102.7 million in the same period in 2022. Commodities purchased were $47.4 million in the fourth quarter of 2023 compared to $100.4 million in the same period in 2022.

Capital Expenditures by Region

Three months ended December 31	2023	2022
Grande Prairie Region	75.8	135.8
Kaybob Region	64.5	11.4
Central Alberta and Other Region	61.7	1.0
Fox and Cavalier Energy	3.9	12.1
Corporate	3.0	9.3
Capital expenditures	**208.9**	169.6

Capital expenditures in the fourth quarter of 2023 totaled $208.9 million, with the majority of spending directed towards drilling and completion activities in the Grande Prairie and Kaybob Regions and drilling, completion and facility expansion activities at Willesden Green in the Central Alberta and Other Region. In December 2023, Paramount completed the expansion of the liquids handling capacity of its Leafland natural gas processing plant at Willesden Green.

QUARTERLY INFORMATION

	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Petroleum and natural gas sales	**470.5**	463.8	374.4	489.7	597.7	618.9	536.2	499.6
Revenue	**451.8**	430.7	380.9	535.7	616.0	607.4	493.7	472.2
Net income	**111.9**	87.2	74.2	197.0	259.9	221.9	182.2	16.6
Per share – basic ($/share)	***0.78***	*0.61*	*0.52*	*1.39*	*1.83*	*1.57*	*1.29*	*0.12*
Per share – diluted ($/share)	***0.75***	*0.59*	*0.50*	*1.33*	*1.76*	*1.51*	*1.24*	*0.11*
Cash from operating activities	**287.0**	207.6	172.2	271.4	306.9	248.9	318.9	174.9
Per share – basic ($/share) (1)	***1.99***	*1.45*	*1.20*	*1.91*	*2.17*	*1.76*	*2.26*	*1.25*
Per share – diluted ($/share) (1)	***1.93***	*1.40*	*1.16*	*1.84*	*2.08*	*1.69*	*2.16*	*1.20*
Adjusted funds flow (1)	**284.1**	234.2	178.7	268.2	340.7	334.3	258.3	237.8
Per share – basic ($/share)	***1.97***	*1.64*	*1.25*	*1.89*	*2.40*	*2.37*	*1.83*	*1.70*
Per share – diluted ($/share)	***1.91***	*1.58*	*1.21*	*1.81*	*2.31*	*2.27*	*1.75*	*1.63*
Free cash flow (1)	**59.7**	18.5	30.5	59.8	162.0	137.5	68.3	103.4
Per share – basic ($/share)	***0.41***	*0.13*	0.21	0.42	1.14	0.97	0.48	0.74
Per share – diluted ($/share)	***0.40***	*0.12*	0.21	0.40	1.10	0.93	0.46	0.71
Dividends declared ($/share)	**0.375**	0.375	0.375	1.375	0.35	0.30	0.28	0.20
Sales volumes								
Natural gas (MMcf/d)	**326.2**	323.1	290.2	320.6	321.9	315.9	267.2	272.9
Condensate and oil (Bbl/d)	**40,290**	38,161	34,230	37,916	37,580	38,804	27,750	31,375
Other NGLs (Bbl/d)	**6,698**	6,627	5,648	5,916	6,143	6,144	5,021	5,276
Total (Boe/d)	**101,348**	98,644	88,243	97,269	97,370	97,601	77,312	82,137
Liquids %	***46%***	*45%*	*45%*	*45%*	*45%*	*46%*	*42%*	*45%*
Realized prices (1)								
Natural gas ($/Mcf)	**2.79**	2.67	2.43	4.23	6.56	6.39	6.75	5.18
Condensate and oil ($/Bbl)	**98.12**	103.36	94.42	100.66	108.50	112.56	134.65	117.53
Other NGLs ($/Bbl)	**36.00**	33.64	30.86	43.93	48.25	51.20	62.80	61.64
Petroleum and natural gas ($/Boe)	**50.46**	51.11	46.63	55.94	66.72	68.92	76.22	67.59

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

Significant Items Impacting Quarterly Results

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

- Fourth quarter 2023 earnings include a $53.4 million gain on risk management contracts.
- Third quarter 2023 earnings included the impacts of higher sales volumes following the Alberta wildfires in the second quarter.
- Second quarter 2023 earnings include the impacts of the Alberta wildfires on sales volumes and netback.
- First quarter 2023 earnings include a $121.1 million gain on the sale of oil and gas assets.

- Fourth quarter 2022 earnings include deferred income tax expense of $68.5 million, a provision recovery of $24.0 million and $6.9 million related to the impacts of terminating $500 million of floating-to-fixed interest rate swaps in December 2022.
- Third quarter 2022 earnings include the impacts of higher sales 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.

OTHER INFORMATION

Contractual Obligations

Paramount had the following contractual obligations at December 31, 2023: (1)

	Within 1 year	After one year but not more than three years	After three years but not more than five years	More than five years	Total
Transportation and processing commitments	246.3	499.7	446.8	1,335.1	**2,527.9**
Asset retirement obligations (2)	37.5	81.1	83.8	1,093.0	**1,295.4**
Finance lease and other commitments	14.8	16.5	6.2	22.0	**59.5**
	298.6	**597.3**	**536.8**	**2,450.1**	**3,882.8**

(1) Excludes risk management liabilities and accounts payable and accrued liabilities, which are described in Note 14 in the Consolidated Financial Statements.
(2) Undiscounted, uninflated asset retirement obligations estimated as at December 31, 2023. Estimated costs and timing of settlement are revised from time to time based on new information.

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

Contingencies

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

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

Subsequent Event

In February 2024, Paramount completed the 2024 Kaybob Disposition for cash proceeds of approximately $47 million and has retained a 2% no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets.

NEW AND UPDATED ACCOUNTING POLICIES AND STANDARDS

Changes in Accounting Standards

Effective January 1, 2023, the Company adopted the amendment to IAS 1 *Presentation of Financial Statements* that requires the disclosure of material accounting policies rather than significant accounting policies. The adoption of this amendment did not have a material impact on the Consolidated Financial Statements.

Future Changes in Accounting Standards

The International Accounting Standards Board has announced amendments to accounting standards and interpretations and new accounting standards that are effective for annual periods beginning on or after January 1, 2024. These standards and interpretations have not been applied to the Consolidated Financial Statements. Paramount does not expect that these changes will have a material impact on the Company's Consolidated Financial Statements on adoption.

DISCLOSURE CONTROLS AND PROCEDURES

As of the year ended December 31, 2023, an evaluation of the effectiveness of Paramount's disclosure controls and procedures ("DCP"), as defined under National Instrument 52-109 "*Certification of Disclosure in Issuers' Annual and Interim Filings*" ("NI 52-109"), was performed by the Company's Management under the supervision of the Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's DCP are effective as of December 31, 2023.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management, under the supervision of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting ("ICFR") as defined under NI 52-109 as at December 31, 2023. In making its evaluation, Management used the Committee of Sponsoring Organizations of the Treadway Commission Framework in Internal Control – Integrated Framework (2013). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's ICFR was effective as of December 31, 2023.

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

During the year ended December 31, 2023, there was no change in the Company's ICFR that materially affected, or is reasonably likely to materially affect, the Company's ICFR.

RISK FACTORS

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

Global economies, including that of Canada, have experienced elevated inflation across broad categories of goods and services in recent years. In addition, international conflicts, including in Ukraine and the Middle East, have resulted in additional volatility in global financial and commodity markets and have increased the potential for supply chain constraints and disruptions.

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

Reserves Estimates

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

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

Exploration or Development

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

Exploration and Evaluation Projects

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

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

Estimates of Recoverable Amounts

Estimates of recoverable amounts used in impairment and impairment reversal assessments often incorporate level three fair value hierarchy inputs, including estimated volumes and future net revenues from proved plus probable reserves, contingent resource estimates, future net cash flow estimates related to other long-lived assets and internal and external market metrics used to estimate fair value based on comparable assets and transactions. By their nature, such estimates are subject to measurement uncertainty. Changes in such estimates, and differences between actual and estimated amounts, could have a material impact on earnings.

Determination of CGUs

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

Depletion

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

Investments in Securities

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

Asset Retirement Obligations

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

Provisions

A provision is recognized where the Company has determined that it has a present obligation arising from past events and the settlement of the obligation is expected to result in an outflow of economic benefits. The determination of whether the Company has a present obligation arising from past events requires Management to exercise judgment as to the facts and circumstances of the event and the extent of any expected obligations of Paramount. Changes in facts and circumstances as a result of new information and other developments may impact Management's assessment of the Company's obligations, if any, in respect of such events. Changes in such estimates could have a material impact on Paramount's assets, liabilities, revenues, expenses and earnings.

Share-Based Payments

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

Income Taxes

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

Business Combinations

Management is required to exercise judgment in determining whether assets acquired and liabilities assumed constitute a business. A business consists of an integrated set of assets and activities, comprised of inputs and processes, that is capable of being conducted and managed as a business by a market participant.

Business combinations are accounted for using the acquisition method of accounting, whereby the net identifiable assets acquired are recorded at fair value. The fair value of individual assets is often required to be estimated, which may involve estimating the fair values of proved plus probable reserves, contingent resources, tangible assets, undeveloped land, intangible assets and other assets. These estimates incorporate assumptions using indicators of fair value, as determined by Management. Changes in any of the estimates or assumptions used in determining the fair value of the net identifiable assets acquired may impact the carrying values assigned to assets acquired and liabilities assumed and could have a material impact on earnings.

PRODUCT TYPE INFORMATION

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

	2023				2022				Annual		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2023	2022	2021
SALES VOLUMES – TOTAL COMPANY BY PRODUCT TYPE											
Shale gas (MMcf/d)	271.8	276.7	246.0	265.2	260.0	253.8	203.7	213.1	265.2	232.9	207.9
Conventional natural gas (MMcf/d)	54.4	46.4	44.2	55.4	61.9	62.1	63.5	59.8	49.9	61.8	67.3
Natural gas (MMcf/d)	326.2	323.1	290.2	320.6	321.9	315.9	267.2	272.9	315.1	294.7	275.2
Condensate (Bbl/d)	37,522	35,984	32,341	34,706	34,616	35,747	25,374	29,064	35,148	31,228	28,328
Other NGLs (Bbl/d)	6,698	6,627	5,648	5,916	6,143	6,144	5,021	5,276	6,226	5,650	5,147
NGLs (Bbl/d)	44,220	42,611	37,989	40,622	40,759	41,891	30,395	34,340	41,374	36,878	33,475
Light and medium crude oil (Bbl/d)	1,636	1,154	942	2,151	2,335	2,608	1,974	1,874	1,469	2,200	2,174
Tight oil (Bbl/d)	699	627	538	599	629	449	402	437	616	480	487
Heavy crude oil (Bbl/d)	433	396	409	460	–	–	–	–	424	–	–
Crude oil (Bbl/d)	2,768	2,177	1,889	3,210	2,964	3,057	2,376	2,311	2,509	2,680	2,661
Total (Boe/d)	101,348	98,644	88,243	97,269	97,370	97,601	77,312	82,137	96,393	88,672	82,001

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	2023	2022	2021
SALES VOLUMES – BY REGION BY PRODUCT TYPE											
GRANDE PRAIRIE REGION											
Shale gas (MMcf/d)	214.1	222.8	196.1	204.0	188.4	188.2	138.8	151.4	209.3	166.9	138.8
Conventional natural gas (MMcf/d)	0.3	0.4	0.3	0.4	1.5	1.4	1.0	1.1	0.4	1.3	2.2
Natural gas (MMcf/d)	214.4	223.2	196.4	204.4	189.9	189.6	139.8	152.5	209.7	168.2	141.0
Condensate (Bbl/d)	32,155	32,145	30,046	31,367	29,146	30,610	22,511	26,042	31,433	27,095	25,253
Other NGLs (Bbl/d)	4,742	4,815	4,012	4,074	3,631	3,758	2,914	3,267	4,414	3,394	3,103
NGLs (Bbl/d)	36,897	36,960	34,058	35,441	32,777	34,368	25,425	29,309	35,847	30,489	28,356
Light and medium crude oil (Bbl/d)	–	–	–	–	–	5	5	6	–	4	5
Tight oil (Bbl/d)	227	220	159	–	–	–	–	–	152	–	–
Crude oil (Bbl/d)	227	220	159	–	–	5	5	6	152	4	5
Total (Boe/d)	72,860	74,381	66,950	69,507	64,434	65,981	48,736	54,737	70,943	58,519	51,869

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	2023	2022	2021
KAYBOB REGION											
Shale gas (MMcf/d)	30.2	28.0	21.7	31.8	41.9	38.5	37.9	35.7	28.2	38.5	38.6
Conventional natural gas (MMcf/d)	49.6	41.7	38.4	49.6	55.0	54.8	56.7	53.6	44.6	55.0	58.6
Natural gas (MMcf/d)	79.8	69.7	60.1	81.4	96.9	93.3	94.6	89.3	72.8	93.5	97.2
Condensate (Bbl/d)	4,003	2,981	1,301	2,315	4,354	4,157	2,092	2,130	2,655	3,192	2,295
Other NGLs (Bbl/d)	1,209	1,188	891	988	1,671	1,666	1,585	1,558	1,070	1,620	1,612
NGLs (Bbl/d)	5,212	4,169	2,192	3,303	6,025	5,823	3,677	3,688	3,725	4,812	3,907
Light and medium crude oil (Bbl/d)	1,602	1,131	914	2,121	2,045	2,434	1,946	1,832	1,440	2,066	2,129
Tight oil (Bbl/d)	205	104	115	206	262	208	253	322	158	261	355
Crude oil (Bbl/d)	1,807	1,235	1,029	2,327	2,307	2,642	2,199	2,154	1,598	2,327	2,484
Total (Boe/d)	20,324	17,027	13,238	19,201	24,477	24,021	21,642	20,726	17,449	22,730	22,588

	2023				2022				Annual		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2023	2022	2021
CENTRAL ALBERTA AND REGION											
Shale gas (MMcf/d)	27.5	25.9	28.2	29.4	29.7	27.1	27.0	26.0	27.7	27.5	30.5
Conventional natural gas (MMcf/d)	4.5	4.3	5.5	5.4	5.4	5.9	5.8	5.1	4.9	5.5	6.5
Natural gas (MMcf/d)	32.0	30.2	33.7	34.8	35.1	33.0	32.8	31.1	32.6	33.0	37.0
Condensate (Bbl/d)	1,364	858	994	1,024	1,116	980	771	892	1,060	941	781
Other NGLs (Bbl/d)	747	624	745	854	841	720	522	451	742	636	432
NGLs (Bbl/d)	2,111	1,482	1,739	1,878	1,957	1,700	1,293	1,343	1,802	1,577	1,213
Light and medium crude oil (Bbl/d)	34	23	28	30	290	169	23	36	29	130	40
Tight oil (Bbl/d)	267	303	264	393	367	241	149	115	306	219	131
Heavy crude oil (Bbl/d)	433	396	409	460	–	–	–	–	424	–	–
Crude oil (Bbl/d)	734	722	701	883	657	410	172	151	759	349	171
Total (Boe/d)	8,164	7,236	8,055	8,561	8,459	7,599	6,934	6,674	8,001	7,423	7,544

The Company forecasts that 2024 annual sales volumes will average between 100,000 Boe/d and 106,000 Boe/d (53% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% Other NGLs). First half 2024 sales volumes are expected to average between 96,000 Boe/d and 100,000 Boe/d (53% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 6% Other NGLs). Second half 2024 sales volumes are expected to average between 104,000 Boe/d and 112,000 Boe/d (53% shale gas and conventional natural gas combined, 41% condensate, light and medium crude oil, tight oil and heavy crude oil 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 are not allocated to individual regions or properties. Netback is used by investors and Management to compare the performance of the Company's producing assets between periods.

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

A calculation of netback and netback including risk management contract settlements for the years ended December 31, 2023 and 2022 and for the three months ended December 31, 2023 and 2022 is provided in this MD&A under "Operating Results – Netback" and "Fourth Quarter Results – Netback", respectively.

Non-GAAP Ratios

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

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

Capital Management Measures

Adjusted funds flow, free cash flow, net (cash) debt and net debt to adjusted funds flow are capital management measures that Paramount utilizes in managing its capital structure. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Refer to Note 18 – Capital Structure in the Consolidated Financial Statements for a description of the composition and use of these measures. Refer also to "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 (i) the years ended December 31, 2023, 2022 and 2021 is provided in this MD&A under "Consolidated Results – Adjusted Funds Flow" and (ii) the three months ended December 31, 2023, and 2022 is provided in this MD&A under "Fourth Quarter Results – Adjusted Funds Flow".

A reconciliation of free cash flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the (i) the years ended December 31, 2023, 2022 and 2021 is provided in this MD&A under "Consolidated Results – Free Cash Flow" and (ii) the three months ended December 31, 2023, and 2022 is provided in this MD&A under "Fourth Quarter Results – Free Cash Flow".

A calculation of net (cash) debt as at December 31, 2023 and 2022 is provided in this MD&A under "Liquidity and Capital Resources". At December 31, 2023, Paramount's net debt to adjusted funds flow (determined on a trailing four quarter basis) was 0.1x (December 31, 2022 – 0.1x).

Supplementary Financial Measures

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

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

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

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

ADVISORIES

Forward-looking Information

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

- forecast sales volumes for 2024 and certain periods therein;
- planned capital expenditures in 2024 and the allocation thereof between sustaining and maintenance capital and growth capital;
- planned abandonment and reclamation expenditures in 2024;
- forecast free cash flow in 2024;
- the expected sources of funding for forecast 2024 capital expenditures, abandonment and reclamation expenditures and regular monthly dividends;
- the anticipation that legal proceedings will not have a material impact on Paramount's financial position;
- the expectation that changes to accounting standards and interpretations will not have a material impact on the Company's Consolidated Financial Statements on adoption; and
- the potential payment of future dividends.

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

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

expanded third-party and Company facilities, including the new natural gas processing facility at Willesden Green, and (iii) facility turnarounds and maintenance.

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

- those risks set out in this MD&A under "Risk Factors";
- fluctuations in commodity prices;
- changes in capital spending plans and planned exploration and development activities;
- changes in foreign currency exchange rates, interest rates and the rate of inflation;
- the uncertainty of estimates and projections relating to future production, product yields (including condensate to natural gas ratios), revenue, free cash flow, reserves additions, product recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate processing, transportation, fractionation, disposal and storage capacity on acceptable terms;
- operational risks in exploring for, developing, producing and transporting natural gas and liquids, including the risk of spills, leaks or blowouts;
- 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 and the new natural gas processing facility at Willesden Green;
- processing, transportation, fractionation, disposal and storage outages, disruptions and constraints;
- potential limitations on access to the volumes of water required for completion activities due to drought, conditions of low river flow, government restrictions or other factors;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves estimates;
- general business, economic and market conditions;
- the ability to generate sufficient cash from operating activities to fund, or to otherwise finance planned exploration, development and operational activities and meet current and future commitments and obligations (including asset retirement obligations, processing, transportation, fractionation and similar commitments and obligations);
- changes in, or in the interpretation of, laws, regulations or policies (including environmental laws);
- the ability to obtain required governmental or regulatory approvals in a timely manner and to obtain and maintain leases and licenses, including those required for the new natural gas processing facility at Willesden Green;
- the effects of weather and other factors including wildlife and environmental restrictions which affect field operations and access;
- uncertainties as to the timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- uncertainties regarding Indigenous claims and in maintaining relationships with local populations and other stakeholders;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and

- other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities.

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

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risk Factors" in Paramount's Annual Information Form for the year ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, Paramount undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

Certain forward-looking information in this MD&A, including forecast free cash flow in 2024, may also constitute a "financial outlook" within the meaning of applicable securities laws. A financial outlook involves statements about Paramount's prospective financial performance or position and is based on and subject to the assumptions and risk factors described above in respect of forward-looking information generally as well as any other specific assumptions and risk factors in relation to such financial outlook noted in this MD&A. Such assumptions are based on management's assessment of the relevant information currently available and any financial outlook included in this MD&A is provided for the purpose of helping readers understand Paramount's current expectations and plans for the future. Readers are cautioned that reliance on any financial outlook may not be appropriate for other purposes or in other circumstances and that the risk factors described above or other factors may cause actual results to differ materially from any financial outlook.

Oil and Gas Measures and Definitions

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

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

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

This MD&A contains disclosures expressed as "Boe", "$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the year ended December 31, 2023, the value ratio between crude oil and natural gas was approximately 36:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value.

Pricing Sensitivity

The below table reflects forecast 2024 free cash flow under the revised 2024 guidance and, for illustrative comparison, two alternative pricing scenarios:

	Revised 2024 Guidance	Alternative Scenario 1	Alternative Scenario 2
WTI	US$80.00/Bbl	US$77.50/Bbl	US$75.00/Bbl
NYMEX	US$3.50/MMBtu	US$3.00/MMBtu	US$2.40/MMBtu
AECO	$2.84/GJ	$2.37/GJ	$1.90/GJ
2024 Free Cash Flow	$235 million	$135 million	$25 million

Forecast 2024 free cash flow is forward-looking information. See "Forward-looking Information" in these Advisories.