



Paramount
resources ltd.

Management's Discussion and Analysis
For the three months ended March 31, 2024

This Management's Discussion and Analysis ("MD&A"), dated May 1, 2024, should be read in conjunction with the unaudited interim condensed consolidated financial statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the three months ended March 31, 2024 (the "Interim Financial Statements") and Paramount's audited consolidated financial statements as at and for the year ended December 31, 2023 (the "Annual Financial Statements"). Financial data included in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and is stated in millions of Canadian dollars, unless otherwise noted. The Company's accounting policies have been applied consistently to all periods presented.

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 for the year ended December 31, 2023 ("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

Three months ended March 31	2024	2023	% Change
FINANCIAL			
Petroleum and natural gas sales	452.3	489.7	(8)
Net income	68.1	197.0	(65)
Per share – basic (\$/share)	0.47	1.39	
Per share – diluted (\$/share)	0.46	1.33	
Cash from operating activities	201.3	271.4	(26)
Per share – basic (\$/share) ⁽¹⁾	1.39	1.91	
Per share – diluted (\$/share) ⁽¹⁾	1.35	1.84	
Adjusted funds flow ⁽¹⁾	225.6	268.2	(16)
Per share – basic (\$/share)	1.56	1.89	
Per share – diluted (\$/share)	1.52	1.81	
Free cash flow ⁽¹⁾	(9.5)	59.8	NM
Per share – basic (\$/share)	(0.07)	0.42	
Per share – diluted (\$/share)	(0.07)	0.40	
Total assets	4,458.9	4,114.6	8
Investments in securities	568.6	498.3	14
Long-term debt	–	–	–
Net (cash) debt ⁽¹⁾	68.4	(43.6)	NM
Total liabilities	906.7	785.7	15
Common shares outstanding (millions) ⁽²⁾	145.2	142.4	2
Dividends declared and paid (\$/share)	0.375	1.375	(73)
OPERATING			
Sales volumes			
Natural gas (MMcf/d)	318.7	320.6	(1)
Condensate and oil (Bbl/d)	40,908	37,916	8
Other NGLs (Bbl/d)	6,954	5,916	18
Total (Boe/d)	100,977	97,269	4
% Liquids	47%	45%	
Realized prices ⁽¹⁾			
Natural gas (\$/Mcf)	2.84	4.23	(33)
Condensate and oil (\$/Bbl)	92.64	100.66	(8)
Other NGLs (\$/Bbl)	37.81	43.93	(14)
Petroleum and natural gas sales (\$/Boe)	49.24	55.94	(12)
Capital expenditures	213.9	184.1	16

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

(2) Common shares are presented net of shares held in trust under the Company's restricted share unit plan (Common Shares): 2024: 0.4 million and 2023: 0.8 million. NM means not meaningful.

Q1 2024 OVERVIEW

In the first quarter of 2024:

- Sales volumes averaged 100,977 Boe/d (47% liquids) compared to 101,348 Boe/d (46% liquids) in the fourth quarter of 2023.
 - Sales volumes in the Grande Prairie Region averaged 67,163 Boe/d (50% liquids), compared to 72,860 Boe/d (51% liquids) in the fourth quarter of 2023. As previously disclosed, first quarter production was impacted by cold weather, intermittent run time at key facilities and other operational challenges that significantly affected production from a number of wells, including the five well Karr 07-33S pad (the "Q1/24 Grande Prairie Region Production Impacts"). Production has since been largely restored and the Company has begun to realize benefits from the aggressive well optimization program it initiated in March 2024.
 - Sales volumes in the Kaybob Region averaged 22,353 Boe/d (42% liquids) compared to 20,324 Boe/d (35% liquids) in the fourth quarter of 2023. Sales volumes and liquids contributions were higher mainly as a result of new Duvernay wells brought onstream that more than offset the impact of the 2024 Kaybob Disposition (defined below).
 - Sales volumes in the Central Alberta and Other Region averaged 11,461 Boe/d (44% liquids) compared to 8,164 Boe/d (35% liquids) in the fourth quarter of 2023. Sales volumes and liquids contributions were higher mainly due to new Duvernay wells brought onstream.
 - Combined, the Company's Duvernay sales volumes in the Kaybob Region and at Willesden Green increased to over 12,000 Boe/d in the first quarter, more than double fourth quarter 2023 Duvernay sales volumes. This production is approximately 70% liquids and is processed through Company owned facilities, resulting in the highest per Boe netback corporately.
- Cash from operating activities was \$201.3 million (\$1.39 per basic share) compared to \$287.0 million (\$1.99 per basic share) in the fourth quarter of 2023. Adjusted funds flow was \$225.6 million (\$1.56 per basic share) compared to \$284.1 million (\$1.97 per basic share) in the fourth quarter of 2023. Free cash flow was (\$9.5) million ((\$0.07) per basic share) compared to \$59.7 million (\$0.41 per basic share) in the fourth quarter of 2023. ⁽¹⁾
- Capital expenditures totaled \$213.9 million compared to \$208.9 million in the fourth quarter of 2023 and were largely directed to the Grande Prairie Region Montney development and the Kaybob North and Willesden Green Duvernay developments.
- Asset retirement obligations settled totaled \$16.5 million compared to \$12.8 million in the fourth quarter of 2023. Activities in the first quarter included the abandonment of 26 wells and the reclamation of 17 sites.
- Paramount closed the sale of certain non-core assets in the Kaybob Region in February 2024 for cash proceeds of \$46.4 million while retaining a 2% no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets (the "2024 Kaybob Disposition").
- Net debt was \$68.4 million at March 31, 2024 compared to \$59.6 million at December 31, 2023, with the ratio of net debt to adjusted funds flow remaining at 0.1x. Paramount's \$1.0 billion revolving credit facility was undrawn at March 31, 2024. ⁽¹⁾

(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.

- The carrying value of the Company's investments in securities was \$568.6 million at March 31, 2024 compared to \$540.9 million at December 31, 2023. In April 2024, Paramount sold 6.0 million common shares of NuVista Energy Ltd. ("NuVista Shares") for net cash proceeds of \$74.8 million. Immediately following the sale, Paramount held 31.3 million NuVista Shares, representing approximately 15% of the outstanding NuVista Shares.

INCREASED DIVIDEND

Paramount's Board of Directors has approved a 20% increase in the regular monthly dividend from \$0.125 to \$0.15 per Common Share. The Company continues to prioritize the delivery of shareholder returns through a combination of dividends and organic growth while maintaining a strong balance sheet. This is the fifth increase in the regular monthly dividend since it was implemented in July 2021.

The first increased dividend of \$0.15 per Common Share will be payable on May 31, 2024 to shareholders of record on May 15, 2024.

GUIDANCE

Paramount is reaffirming its 2024 sales volumes, capital expenditure and abandonment and reclamation expenditure guidance. The Company is updating its forecast of 2024 free cash flow from \$235 million to \$205 million to reflect first quarter results. Pricing assumptions for the final three quarters of 2024 remain unchanged at US\$80.00/Bbl WTI, US\$3.50/MMBtu NYMEX and \$2.84/GJ AECO.

	2024 Guidance
Annual average sales volumes (Boe/d)	100,000 to 106,000 (47% liquids)
First half 2024 (Boe/d)	96,000 to 100,000 (47% liquids)
Second half 2024 (Boe/d)	104,000 to 112,000 (47% liquids)
Capital expenditures	\$830 to \$890 million
Sustaining and Maintenance	\$415 to \$445 million
Growth	\$415 to \$445 million
Abandonment and reclamation expenditures	\$40 million
Free cash flow ⁽¹⁾	\$205 million

The Company's midpoint 2024 capital program, abandonment and reclamation expenditures and increased regular monthly dividend is more than fully funded under the above forecast, when combined with cash proceeds from dispositions realized year-to-date. The Company's midpoint 2024 sustaining and maintenance capital program, abandonment and reclamation expenditures and increased regular monthly dividend would remain fully funded down to an average WTI price for the remaining three quarters of 2024 of about US\$45/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 \$55.85/Boe; (v) a \$US/\$CAD exchange rate of \$0.737, (vi) royalties of \$8.10/Boe, (vii) operating costs of \$13.30/Boe and (viii) transportation and NGLs processing costs of \$3.65/Boe. Assumed pricing of US\$80.00/Bbl WTI, US\$3.50/MMBtu NYMEX and \$2.84/GJ AECO and an assumed \$US/\$CAD exchange rate of \$0.735 for the remaining three quarters of 2024 is unchanged from previous guidance, but the stated amounts have been adjusted to incorporate actual results for the first quarter of 2024.

CONSOLIDATED RESULTS

Net Income

Paramount recorded net income of \$68.1 million for the three months ended March 31, 2024 compared to net income of \$197.0 million in the same period in 2023. Significant factors contributing to the change are shown below:

Three months ended March 31	
Net income – 2023	197.0
<ul style="list-style-type: none"> • Lower gain on sale of oil and gas assets in 2024 • Lower netback in 2024 mainly due to lower commodity prices • Higher depletion and depreciation expense in 2024 • Higher loss on risk management contracts in 2024 • Lower income tax expense in 2024 • Other 	<ul style="list-style-type: none"> (105.5) (35.3) (13.3) (9.5) 35.6 (0.9)
Net income – 2024	68.1

Cash From Operating Activities

Cash from operating activities for the three months ended March 31, 2024 was \$201.3 million compared to \$271.4 million in the same period in 2023. Significant factors contributing to the change are shown below:

Three months ended March 31	
Cash from operating activities – 2023	271.4
<ul style="list-style-type: none"> • Lower netback in 2024 mainly due to lower commodity prices • Change in non-cash working capital • Payments on risk management contract settlements in 2024 compared to receipts in 2023 • Lower asset retirement obligations settled in 2024 • Other 	<ul style="list-style-type: none"> (35.3) (33.6) (6.6) 5.3 0.1
Cash from operating activities – 2024	201.3

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 March 31	2024	2023
Cash from operating activities	201.3	271.4
Change in non-cash working capital ⁽¹⁾	3.6	(30.0)
Geological and geophysical expense ⁽²⁾	4.7	2.5
Asset retirement obligations settled ⁽¹⁾	16.5	21.8
Provisions ⁽³⁾	(0.5)	2.5
Adjusted funds flow ⁽⁴⁾	225.6	268.2
Adjusted funds flow (\$/Boe) ⁽⁵⁾	24.55	30.64

(1) Refer to the interim condensed consolidated statements of cash flows in the Interim Financial Statements.

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

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

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

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

Adjusted funds flow for the three months ended March 31, 2024 was \$225.6 million compared to \$268.2 million in the same period in 2023. Significant factors contributing to the change are shown below:

Three months ended March 31	
Adjusted funds flow – 2023	268.2
<ul style="list-style-type: none"> • Lower netback in 2024 mainly due to lower commodity prices • Payments on risk management contract settlements in 2024 compared to receipts in 2023 • Other 	<ul style="list-style-type: none"> (35.3) (6.6) (0.7)
Adjusted funds flow – 2024	225.6

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 March 31	2024	2023
Cash from operating activities	201.3	271.4
Change in non-cash working capital ⁽¹⁾	3.6	(30.0)
Geological and geophysical expense ⁽²⁾	4.7	2.5
Asset retirement obligations settled ⁽¹⁾	16.5	21.8
Provisions ⁽³⁾	(0.5)	2.5
Adjusted funds flow	225.6	268.2
Capital expenditures ⁽¹⁾	(213.9)	(184.1)
Geological and geophysical expense ⁽²⁾	(4.7)	(2.5)
Asset retirement obligations settled ⁽¹⁾	(16.5)	(21.8)
Free cash flow ⁽⁴⁾	(9.5)	59.8

(1) Refer to the interim condensed consolidated statements of cash flows in the Interim Financial Statements.

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

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

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

Free cash flow for the three months ended March 31, 2024 was (\$9.5) million compared to \$59.8 million for the three months ended March 31, 2023. Significant factors contributing to the change are shown below:

Three months ended March 31	
Free cash flow – 2023	59.8
<ul style="list-style-type: none"> • Lower adjusted funds flow (described in "Adjusted Funds Flow" section above) • Higher capital expenditures in 2024 • Higher geological and geophysical expense in 2024 • Lower asset retirement obligations settled in 2024 	<ul style="list-style-type: none"> (42.6) (29.8) (2.2) 5.3
Free cash flow – 2024	(9.5)

OPERATING RESULTS

Netback

Three months ended March 31	2024		2023	
		(\$/Boe) ⁽¹⁾⁽²⁾		(\$/Boe) ⁽¹⁾⁽²⁾
Natural gas revenue ⁽³⁾	82.4	2.84	122.0	4.23
Condensate and oil revenue ⁽³⁾	344.8	92.64	343.5	100.66
Other NGLs revenue ⁽³⁾	23.9	37.81	23.4	43.93
Royalty income and other revenue ⁽³⁾	1.2	–	0.8	–
Petroleum and natural gas sales ⁽⁴⁾	452.3	49.24	489.7	55.94
Royalties ⁽⁴⁾	(61.8)	(6.73)	(69.1)	(7.90)
Operating expense ⁽⁴⁾	(118.9)	(12.94)	(108.8)	(12.43)
Transportation and NGLs processing ⁽⁴⁾	(31.9)	(3.47)	(36.3)	(4.15)
Sales of commodities purchased ⁽⁴⁾	54.7	5.95	115.1	13.15
Commodities purchased ⁽⁴⁾	(53.4)	(5.81)	(114.3)	(13.05)
Netback ⁽⁵⁾	241.0	26.24	276.3	31.56
Risk management contract settlements ⁽⁶⁾	(0.5)	(0.05)	6.1	0.70
Netback including risk management contract settlements ⁽⁷⁾	240.5	26.19	282.4	32.26

(1) Natural gas revenue shown per Mcf.

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

(3) Refer to Note 12 in the Interim Financial Statements.

(4) Refer to the interim condensed consolidated statements of comprehensive income in the Interim Financial Statements.

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

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

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

Petroleum and natural gas sales were \$452.3 million in the first quarter of 2024 compared to \$489.7 million in the same period in 2023. The decrease in 2024 was mainly due to the effects of a 12 percent decrease in average realized petroleum and natural gas sales prices per Boe, which were partially offset by a four percent increase in sales volumes over the same period.

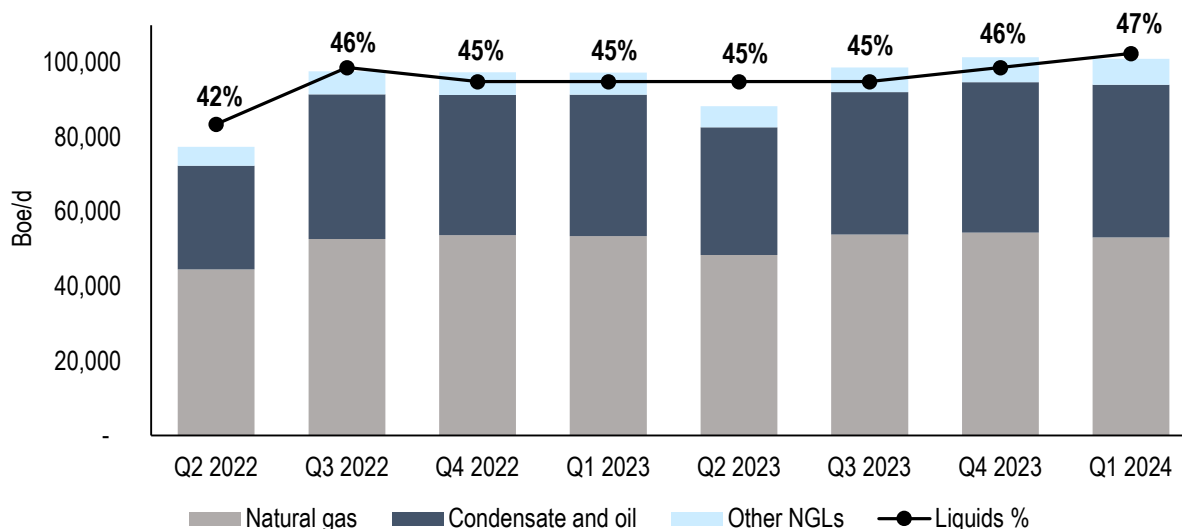
The impact of changes in prices and sales volumes on petroleum and natural gas sales are as follows:

	Natural gas	Condensate and oil	Other NGLs	Royalty income and other revenue	Total
Three months ended March 31, 2023	122.0	343.5	23.4	0.8	489.7
Effect of changes in prices	(40.2)	(29.9)	(3.9)	–	(74.0)
Effect of changes in sales volumes	0.6	31.2	4.4	–	36.2
Change in royalty income and other revenue	–	–	–	0.4	0.4
Three months ended March 31, 2024	82.4	344.8	23.9	1.2	452.3

Sales Volumes

	Three months ended March 31											
	Natural gas (MMcf/d) ⁽¹⁾			Condensate and oil (Bbl/d) ⁽¹⁾			Other NGLs (Bbl/d) ⁽¹⁾			Total (Boe/d) ⁽¹⁾		
	2024	2023	Chg	2024	2023	Chg	2024	2023	Chg	2024	2023	Chg
Grande Prairie	201.8	204.4	(1%)	29,202	31,367	(7%)	4,334	4,074	6%	67,163	69,507	(3%)
Kaybob	78.3	81.4	(4%)	7,823	4,642	69%	1,480	988	50%	22,353	19,201	16%
Central Alberta and Other	38.6	34.8	11%	3,883	1,907	104%	1,140	854	33%	11,461	8,561	34%
Total	318.7	320.6	(1%)	40,908	37,916	8%	6,954	5,916	18%	100,977	97,269	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 averaged 100,977 Boe/d (47% liquids) in the first quarter of 2024, compared to 97,269 Boe/d (45% liquids) in the same period in 2023.

Grande Prairie Region sales volumes averaged 67,163 Boe/d (50% liquids) in the first quarter of 2024 compared to 69,507 Boe/d (51% liquids) in the same period in 2023. First quarter 2024 production was lower than the same period in 2023 mainly due to the Q1/24 Grande Prairie Region Production Impacts. New well production that came onstream partly offset these impacts.

Paramount commenced an aggressive well optimization program in the Grande Prairie Region in March 2024 to increase production from shut-in wells and wells that would benefit from intervention. This has included, among other well interventions, workover operations on the Karr 07-33S pad that have yielded positive initial results.

Kaybob Region sales volumes averaged 22,353 Boe/d (42% liquids) in the first quarter of 2024 compared to 19,201 Boe/d (29% liquids) in the same period in 2023. The 16 percent increase was mainly due to new Duvernay wells brought onstream, which more than offset the impact of the 2024 Kaybob Disposition.

Sales volumes in the Central Alberta and Other Region averaged 11,461 Boe/d (44% liquids) in the first quarter of 2024 compared to 8,561 Boe/d (32% liquids) in the same period of 2023. The 34 percent increase was mainly as a result of new Duvernay wells brought onstream.

Commodity Prices

Three months ended March 31	2024	2023	% Change
Natural Gas ⁽¹⁾			
Paramount realized natural gas price (\$/Mcf)	2.84	4.23	(33)
AECO daily spot (\$/GJ)	2.36	3.05	(23)
AECO monthly index (\$/GJ)	1.94	4.12	(53)
Dawn (\$/MMBtu)	2.81	3.70	(24)
NYMEX (US\$/MMBtu)	2.09	2.76	(24)
Malin daily index (US\$/MMBtu)	3.14	9.30	(66)
Condensate and Oil ⁽¹⁾			
Paramount realized condensate & oil price (\$/Bbl)	92.64	100.66	(8)
Edmonton light sweet crude oil (\$/Bbl)	95.45	99.73	(4)
Edmonton condensate (\$/Bbl)	99.24	107.00	(7)
West Texas Intermediate crude oil (US\$/Bbl)	76.96	76.13	1
Other NGLs ⁽¹⁾			
Paramount realized Other NGLs price (\$/Bbl)	37.81	43.93	(14)
Conway – propane (\$/Bbl)	44.75	44.58	–
Belvieu – butane (\$/Bbl)	56.70	62.86	(10)
Foreign Exchange			
\$CAD / 1 \$US	1.35	1.35	–

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

Paramount's current natural gas portfolio primarily consists of sales priced at Alberta, British Columbia, Oregon and Eastern Canada markets, which are sold in a combination of daily, monthly, seasonal and fixed basis differential physical contracts. In the first quarters of 2023 and 2024, Paramount's natural gas sales portfolio included arrangements to sell approximately 60,000 GJ/d of natural gas at Dawn and approximately 22,000 GJ/d of natural gas at Malin. In the first quarter of 2023, the Company's natural gas sales portfolio also included arrangements to sell 40,000 GJ/d of natural gas priced at the U.S. Midwest. Beginning in the fourth quarter of 2024, Paramount also has ex-Alberta to Iroquois natural gas transportation of approximately 20,000 GJ/d.

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. In the first quarter of 2024, the differentials to West Texas Intermediate crude oil prices for light sweet crude oil and condensate at Edmonton widened compared to the same period in 2023.

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

During the three months ended March 31, 2024, Paramount entered into an agreement to deliver between 250 Bbl/d and 1,000 Bbl/d of propane over five years at a delivery point in Alberta beginning February 2024. The price to be received is based on the Argus Propane Monthly Far East Index less deductions for transportation, fuel and other charges.

The Company had the following basis differential physical sales contracts at March 31, 2024:

	Volume	Location	Average price	Remaining term
Natural gas	40,000 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:

	Three months ended March 31, 2024
Fair value, beginning of period	–
Changes in fair value	(0.9)
Fair value, end of period	(0.9)

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

Instruments	Aggregate amount / notional	Average price or rate	Remaining term
Oil – MSW WTI Differential Swap (Sale) ⁽¹⁾	5,000 Bbl/d	WTI – US\$2.56/Bbl	May 2024 – December 2024

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

Subsequent to March 31, 2024, the Company entered into the following financial commodity contracts:

Instruments	Aggregate amount / notional	Average price or rate	Remaining term
Oil – NYMEX WTI Swaps (Sale) ⁽¹⁾	14,250 Bbl/d	CAD\$111.67/Bbl	April 2024 – December 2024

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

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

Foreign Currency Exchange Contracts

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

	Three months ended March 31, 2024
Fair value, beginning of period	8.4
Changes in fair value	(10.5)
Settlements paid (received)	0.5
Fair value, end of period	(1.6)

The Company had the following foreign currency exchange contracts at March 31, 2024:

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

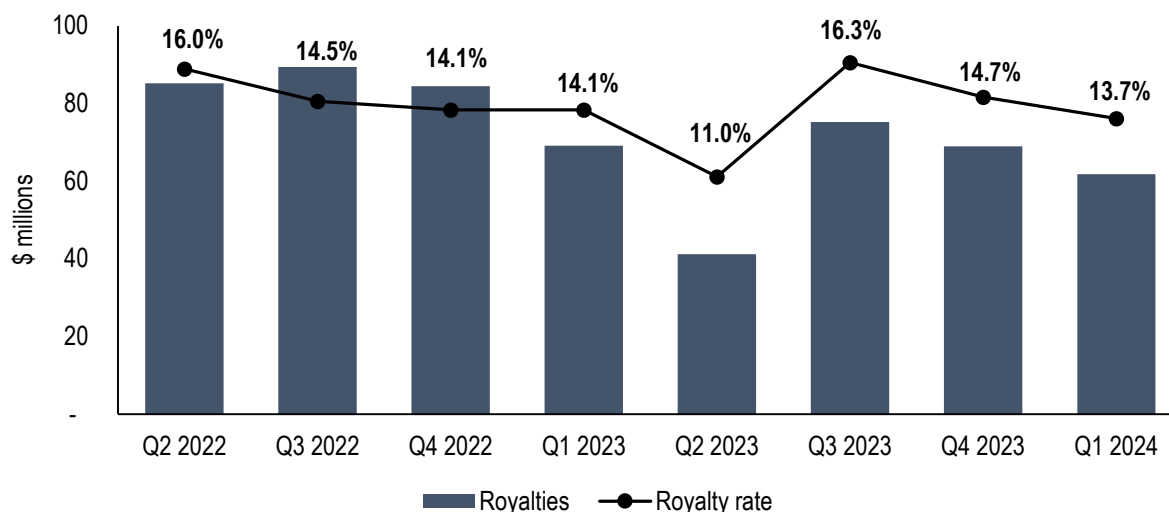
(1) Average rate is calculated using a weighted average of notional volumes and foreign currency exchange rates.

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

Royalties

Three months ended March 31	2024	Rate	2023	Rate
Royalties	61.8	13.7%	69.1	14.1%
\$/Boe ⁽¹⁾	6.73		7.90	

(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.

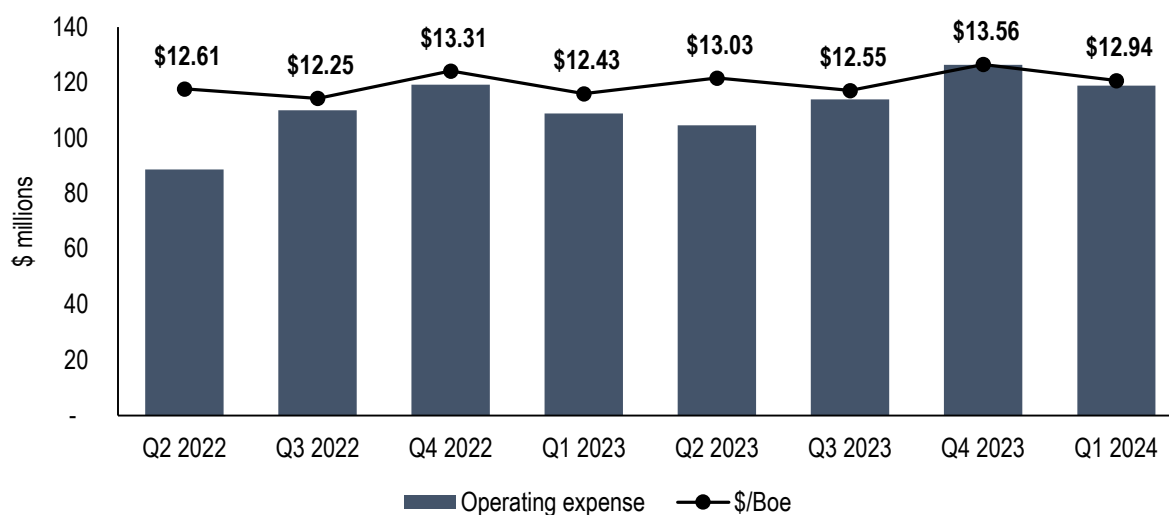


Royalties were \$61.8 million in the first quarter of 2024 compared to \$69.1 million in the same period in 2023. Royalties decreased in 2024 mainly as a result of lower petroleum and natural gas sales and lower royalty rates. Royalty rates decreased in the first quarter of 2024 mainly due to lower commodity prices.

Operating Expense

Three months ended March 31	2024	2023	% Change
Operating expense	118.9	108.8	9
\$/Boe ⁽¹⁾	12.94	12.43	4

(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 \$118.9 million in the first quarter of 2024, nine percent higher than in the same period in 2023, mainly due to increased workover and maintenance activities from the Company's 2024 Grande Prairie well optimization program aimed at increasing production from previously drilled wells (the "Grande Prairie Region Well Optimization Program").

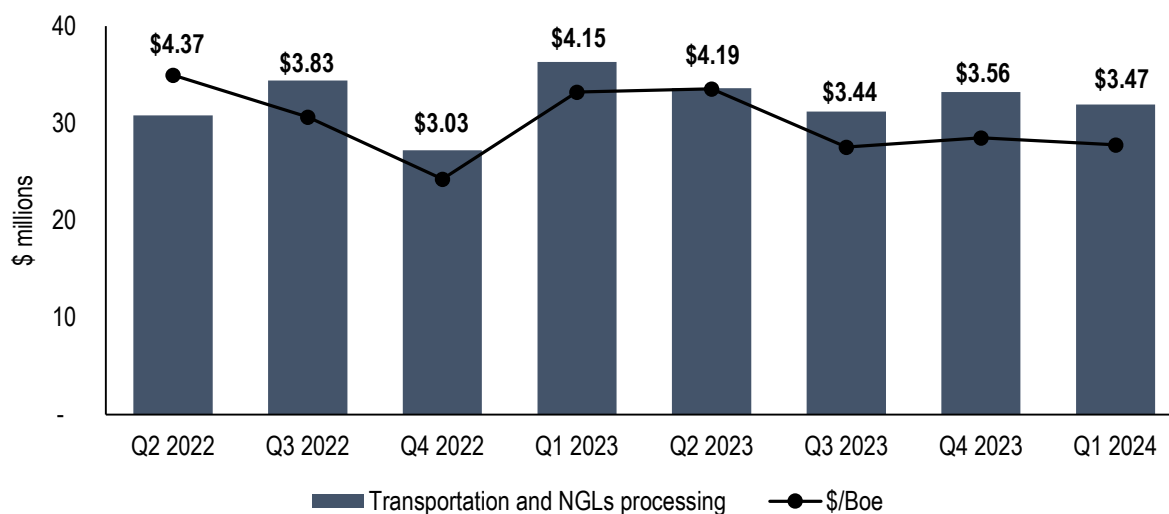
Operating expenses in the Grande Prairie Region were \$80.1 million (\$13.11/Boe) in the first quarter of 2024 compared to \$70.3 million (\$11.24/Boe) in the same period in 2023, a 14 percent increase. Grande Prairie Region operating expenses and per unit operating expenses were higher mainly as a result of the Grande Prairie Region Well Optimization Program.

Total Company operating expenses were \$12.94/Boe in the first quarter of 2024 compared to \$12.43/Boe in the same period in 2023. The increase was mainly due to the Grande Prairie Region Well Optimization Program, partially offset by higher sales volumes.

Transportation and NGLs Processing

Three months ended March 31	2024	2023	% Change
Transportation and NGLs processing	31.9	36.3	(12)
\$/Boe ⁽¹⁾	3.47	4.15	(16)

(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 in the first quarter of 2024 was \$31.9 million (\$3.47/Boe) compared to \$36.3 million (\$4.15/Boe) in the same period in 2023, a 12 percent decrease. The decrease in transportation and NGLs processing expense is mainly due to short-term optimization activities undertaken by the Company with respect to its transportation portfolio, partially offset by higher sales volumes in 2024.

Sales of Commodities Purchased and Commodities Purchased

Three months ended March 31	2024	2023	% Change
Sales of commodities purchased	54.7	115.1	(52)
Commodities purchased	(53.4)	(114.3)	(53)

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

Other Items

Three months ended March 31	2024	2023
Depletion and depreciation	111.3	97.1
Change in asset retirement obligations	3.5	4.4
Exploration and evaluation expense	4.7	2.8
Gain on sale of oil and gas assets	(15.6)	(121.1)
Accretion of asset retirement obligations	10.5	10.7

Depletion and depreciation expense was \$111.3 million in the first quarter of 2024, compared to \$97.1 million in the first quarter of 2023. The increase in depletion and depreciation expense in 2024 was attributable to both higher depletion rates per Boe and higher sales volumes.

In the first quarter of 2024, the Company recorded a charge of \$3.5 million (2023 – \$4.4 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 resulted from revisions to the estimated costs.

Exploration and evaluation expense was \$4.7 million in the first quarter of 2024 compared to \$2.8 million in the same period in 2023.

In February 2024, Paramount closed the 2024 Kaybob Disposition, receiving cash proceeds of \$46.4 million. A gain of \$15.3 million was recognized on the sale. The properties sold had average sales volumes of approximately 850 Boe/d (1.2 MMcf/d of shale gas, 1.0 MMcf/d of conventional gas and 470 Bbl/d of NGLs) in the fourth quarter of 2023, the last full quarter prior to sale.

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

Accretion of asset retirement obligations was \$10.5 million in the first quarter of 2024, relatively consistent compared to \$10.7 million in the same period in 2023.

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations settled in the first quarter of 2024 totaled \$16.5 million. Activities in the first quarter of 2024 included the abandonment of 26 wells and the reclamation of 17 sites.

At March 31, 2024, estimated undiscounted, uninflated asset retirement obligations were \$1,251.5 million (December 31, 2023 – \$1,295.4 million). As at March 31, 2024, the Company's discounted asset retirement obligations were \$571.2 million (discounted at 7.75% percent per annum and using an inflation rate of 2.0 percent per annum) compared to \$587.3 million as at December 31, 2023 (discounted at 7.75 percent per annum and using an inflation rate of 2.0 percent per annum). For further details concerning the Company's asset retirement obligations, refer to Note 6 in the Interim Financial Statements.

OTHER ASSETS

Investments in Securities

As at	March 31, 2024	December 31, 2023
Level One Securities	449.8	422.0
Level Three Securities	118.8	118.9
	568.6	540.9

Paramount holds investments in a number of publicly-traded and private entities as part of its portfolio of investments. Investments in securities that are listed on a public stock exchange are classified as level one fair value hierarchy securities ("Level One Securities") and carried at their period-end trading prices. Investments in securities that are not listed on a public stock exchange are classified as level three fair

value hierarchy securities ("Level Three Securities"). Estimates of fair values for these investments are based on valuation techniques that incorporate unobservable inputs.

Level One Securities at March 31, 2024 included 37.3 million NuVista Shares (December 31, 2023 – 37.3 million NuVista Shares), which had a carrying value of \$442.6 million (December 31, 2023 – \$411.3 million). In April 2024, Paramount sold 6.0 million NuVista Shares for net cash proceeds of \$74.8 million.

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

The Company recorded an unrealized gain of \$32.0 million, before tax, to other comprehensive income in the first quarter of 2024 related to changes in the fair value estimates of its investments in securities.

In the first quarter of 2024, Paramount sold a portion of its Level One Securities for aggregate cash proceeds of \$4.2 million, resulting in \$0.1 million of accumulated net losses, net of tax, being reclassified from reserves to retained earnings.

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

CORPORATE

Three months ended March 31	2024	2023
General and administrative	14.4	15.0
Share-based compensation	7.4	6.9
Interest and financing	1.6	1.5
Deferred income tax expense	24.1	59.7
Other	(0.4)	0.4

General and administrative expense was \$14.4 million in the first quarter of 2024 compared to \$15.0 million in the same period in 2023. Share-based compensation expense was \$7.4 million in the first quarter of 2024, compared to \$6.9 million in the first quarter of 2023.

Deferred income tax expense was \$24.1 million in the first quarter of 2024, compared to \$59.7 million in the same period in 2023.

CAPITAL EXPENDITURES AND LAND AND PROPERTY ACQUISITIONS

Capital Expenditures

Three months ended March 31	2024	2023
Drilling, completion, equipping and tie-ins	147.2	141.7
Facilities and gathering	69.2	33.6
Drilling rigs	4.0	3.1
Corporate	(6.5)	5.7
Capital expenditures	213.9	184.1
Grande Prairie Region	120.2	121.1
Kaybob Region	56.3	39.0
Central Alberta and Other Region	39.8	5.6
Fox Drilling and Cavalier Energy	4.1	12.7
Corporate ⁽¹⁾	(6.5)	5.7
Capital expenditures	213.9	184.1

(1) Includes transfers between regions.

Land and Property Acquisitions

Three months ended March 31	2024	2023
Land and property acquisitions	0.6	26.6

Capital expenditures totaled \$213.9 million in the first quarter of 2024, compared to \$184.1 million in the first quarter of 2023. Significant capital program activities in the first quarter of 2024 included the following:

- In the Grande Prairie Region, the Company drilled 9 (9.0 net) Montney wells and completed and brought onstream 4 (4.0 net) Montney wells. The Company is also advancing the construction of a new compressor node in the Wapiti area.
- In the Kaybob Region, the Company drilled 4 (4.0 net) Duvernay wells and completed and brought onstream 6 (6.0 net) Duvernay wells.
- In the Central Alberta and Other Region, the Company commenced the construction of its second natural gas processing plant at Willesden Green with earthworks, the ordering of equipment and offsite construction of equipment modules underway. The Company also drilled 2 (2.0 net) Duvernay wells and brought onstream 2 (2.0 net) Duvernay wells at Willesden Green.

Land and property acquisitions totaled \$0.6 million in the first quarter of 2024 compared to \$26.6 million in the same period in 2023.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

	March 31, 2024	December 31, 2023
Cash and cash equivalents	(57.1)	(48.9)
Accounts receivable ⁽¹⁾	(163.3)	(155.0)
Prepaid expenses and other	(13.3)	(9.0)
Accounts payable and accrued liabilities	302.1	272.5
Net (cash) debt	68.4	59.6

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

Net (cash) debt does not account for the \$568.6 million carrying value of the Company's investments in securities as at March 31, 2024 (December 31, 2023 – \$540.9 million).

Paramount's operations are capital intensive and adequate sources of liquidity are required to fund ongoing exploration and development activities, discharge asset retirement obligations and satisfy its other contractual obligations and commitments. Paramount's available capital resources include cash from operating activities, 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 the "Guidance" section, 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 April 2024, the Company sold 6.0 million NuVista Shares for net cash proceeds of \$74.8 million. In the first quarter of 2024, Paramount closed the 2024 Kaybob Disposition for cash proceeds of \$46.4 million. In the first quarter of 2023, the Company closed the 2023 Kaybob Disposition for cash proceeds of \$370.2 million and repaid all remaining drawings then outstanding 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 March 31, 2024 (December 31, 2023 – \$3.1 million) that reduce the amount available to be drawn on the facility.

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

Unsecured Letter of Credit Facility

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

Cash Flow Hedges

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

Contract type	Aggregate notional ⁽¹⁾	Remaining term	Average fixed contract rate ⁽¹⁾	Reference ⁽¹⁾	Fair value
Electricity Swaps (Buy)	240 MWh/d	April 2024 – December 2024	\$66.13/MWh	AESO Pool Price	–
Electricity Swaps (Buy)	240 MWh/d	January 2025 – December 2025	\$71.13/MWh	AESO Pool Price	(1.2)
					(1.2)

(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 March 31, 2024.

Share Capital

At April 30, 2024, Paramount had 146.1 million Common Shares outstanding (net of 0.1 million Common Shares held in trust under the Company's restricted share unit plan) and 10.0 million options to acquire Common Shares outstanding, of which 2.3 million options are exercisable.

In the first quarter of 2024, Paramount issued 1.0 million Common Shares on the exercise of options to acquire Common Shares.

Dividends

In the first quarter of 2024, Paramount declared total cash dividends of \$0.375 per Common Share or \$54.1 million (2023 – \$1.375 per Common Share or \$196.5 million comprised of a special dividend of \$1.00 per Common Share and regular monthly dividends totaling \$0.375 per Common Share). Subsequent to March 31, 2024, the Company paid a regular monthly cash dividend of \$0.125 per Common Share on April 30, 2024 to shareholders of record on April 15, 2024.

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.

QUARTERLY INFORMATION

	2024	2023				2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Petroleum and natural gas sales	452.3	470.5	463.8	374.4	489.7	597.7	618.9	536.2
Revenue	445.2	451.8	430.7	380.9	535.7	616.0	607.4	493.7
Net income	68.1	111.9	87.2	74.2	197.0	259.9	221.9	182.2
Per share – basic (\$/share)	0.47	0.78	0.61	0.52	1.39	1.83	1.57	1.29
Per share – diluted (\$/share)	0.46	0.75	0.59	0.50	1.33	1.76	1.51	1.24
Cash from operating activities	201.3	287.0	207.6	172.2	271.4	306.9	248.9	318.9
Per share – basic (\$/share) ⁽¹⁾	1.39	1.99	1.45	1.20	1.91	2.17	1.76	2.26
Per share – diluted (\$/share) ⁽¹⁾	1.35	1.93	1.40	1.16	1.84	2.08	1.69	2.16
Adjusted funds flow ⁽¹⁾	225.6	284.1	234.2	178.7	268.2	340.7	334.3	258.3
Per share – basic (\$/share)	1.56	1.97	1.64	1.25	1.89	2.40	2.37	1.83
Per share – diluted (\$/share)	1.52	1.91	1.58	1.21	1.81	2.31	2.27	1.75
Free cash flow ⁽¹⁾	(9.5)	59.7	18.5	30.5	59.8	162.0	137.5	68.3
Per share – basic (\$/share)	(0.07)	0.41	0.13	0.21	0.42	1.14	0.97	0.48
Per share – diluted (\$/share)	(0.07)	0.40	0.12	0.21	0.40	1.10	0.93	0.46
Dividends declared (\$/share)	0.375	0.375	0.375	0.375	1.375	0.35	0.30	0.28
Sales volumes								
Natural gas (MMcf/d)	318.7	326.2	323.1	290.2	320.6	321.9	315.9	267.2
Condensate and oil (Bbl/d)	40,908	40,290	38,161	34,230	37,916	37,580	38,804	27,750
Other NGLs (Bbl/d)	6,954	6,698	6,627	5,648	5,916	6,143	6,144	5,021
Total (Boe/d)	100,977	101,348	98,644	88,243	97,269	97,370	97,601	77,312
Liquids %	47%	46%	45%	45%	45%	45%	46%	42%
Realized prices ⁽¹⁾								
Natural gas (\$/Mcf)	2.84	2.79	2.67	2.43	4.23	6.56	6.39	6.75
Condensate and oil (\$/Bbl)	92.64	98.12	103.36	94.42	100.66	108.50	112.56	134.65
Other NGLs (\$/Bbl)	37.81	36.00	33.64	30.86	43.93	48.25	51.20	62.80
Petroleum and natural gas (\$/Boe)	49.24	50.46	51.11	46.63	55.94	66.72	68.92	76.22

(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.

- First quarter 2024 earnings include a \$15.6 million gain on the sale of oil and gas assets.
- Fourth quarter 2023 earnings include a \$53.4 million gain on risk management contracts.
- Third quarter 2023 earnings include the impacts of higher sales volumes following the Alberta wildfires in the second quarter.
- Second quarter 2023 earnings include the impacts of the Alberta wildfires on sales volumes and netback.
- First quarter 2023 earnings include a \$121.1 million gain on the sale of oil and gas assets.

- 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.

OTHER INFORMATION

Contingencies

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the three months ended March 31, 2024, there was no change in the Company's internal control over financial reporting ("ICFR") that materially affected, or is reasonably likely to materially affect, the Company's ICFR.

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

RISK FACTORS

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

PRODUCT TYPE INFORMATION

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

	2024	2023				2022				Annual	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2023	2022
SALES VOLUMES – TOTAL COMPANY BY PRODUCT TYPE											
Shale gas (MMcf/d)	268.5	271.8	276.7	246.0	265.2	260.0	253.8	203.7	213.1	265.2	232.9
Conventional natural gas (MMcf/d)	50.2	54.4	46.4	44.2	55.4	61.9	62.1	63.5	59.8	49.9	61.8
Natural gas (MMcf/d)	318.7	326.2	323.1	290.2	320.6	321.9	315.9	267.2	272.9	315.1	294.7
Condensate (Bbl/d)	38,332	37,522	35,984	32,341	34,706	34,616	35,747	25,374	29,064	35,148	31,228
Other NGLs (Bbl/d)	6,954	6,698	6,627	5,648	5,916	6,143	6,144	5,021	5,276	6,226	5,650
NGLs (Bbl/d)	45,286	44,220	42,611	37,989	40,622	40,759	41,891	30,395	34,340	41,374	36,878
Light and medium crude oil (Bbl/d)	1,595	1,636	1,154	942	2,151	2,335	2,608	1,974	1,874	1,469	2,200
Tight oil (Bbl/d)	592	699	627	538	599	629	449	402	437	616	480
Heavy crude oil (Bbl/d)	389	433	396	409	460	–	–	–	–	424	–
Crude oil (Bbl/d)	2,576	2,768	2,177	1,889	3,210	2,964	3,057	2,376	2,311	2,509	2,680
Total (Boe/d)	100,977	101,348	98,644	88,243	97,269	97,370	97,601	77,312	82,137	96,393	88,672

SALES VOLUMES – BY REGION BY PRODUCT TYPE

GRANDE PRAIRIE REGION											
Shale gas (MMcf/d)	201.6	214.1	222.8	196.1	204.0	188.4	188.2	138.8	151.4	209.3	166.9
Conventional natural gas (MMcf/d)	0.2	0.3	0.4	0.3	0.4	1.5	1.4	1.0	1.1	0.4	1.3
Natural gas (MMcf/d)	201.8	214.4	223.2	196.4	204.4	189.9	189.6	139.8	152.5	209.7	168.2
Condensate (Bbl/d)	29,061	32,155	32,145	30,046	31,367	29,146	30,610	22,511	26,042	31,433	27,095
Other NGLs (Bbl/d)	4,334	4,742	4,815	4,012	4,074	3,631	3,758	2,914	3,267	4,414	3,394
NGLs (Bbl/d)	33,395	36,897	36,960	34,058	35,441	32,777	34,368	25,425	29,309	35,847	30,489
Light and medium crude oil (Bbl/d)	–	–	–	–	–	–	5	5	6	–	4
Tight oil (Bbl/d)	141	227	220	159	–	–	–	–	–	152	–
Crude oil (Bbl/d)	141	227	220	159	–	–	5	5	6	152	4
Total (Boe/d)	67,163	72,860	74,381	66,950	69,507	64,434	65,981	48,736	54,737	70,943	58,519

KAYBOB REGION											
Shale gas (MMcf/d)	30.6	30.2	28.0	21.7	31.8	41.9	38.5	37.9	35.7	28.2	38.5
Conventional natural gas (MMcf/d)	47.7	49.6	41.7	38.4	49.6	55.0	54.8	56.7	53.6	44.6	55.0
Natural gas (MMcf/d)	78.3	79.8	69.7	60.1	81.4	96.9	93.3	94.6	89.3	72.8	93.5
Condensate (Bbl/d)	6,038	4,003	2,981	1,301	2,315	4,354	4,157	2,092	2,130	2,655	3,192
Other NGLs (Bbl/d)	1,480	1,209	1,188	891	988	1,671	1,666	1,585	1,558	1,070	1,620
NGLs (Bbl/d)	7,518	5,212	4,169	2,192	3,303	6,025	5,823	3,677	3,688	3,725	4,812
Light and medium crude oil (Bbl/d)	1,573	1,602	1,131	914	2,121	2,045	2,434	1,946	1,832	1,440	2,066
Tight oil (Bbl/d)	212	205	104	115	206	262	208	253	322	158	261
Crude oil (Bbl/d)	1,785	1,807	1,235	1,029	2,327	2,307	2,642	2,199	2,154	1,598	2,327
Total (Boe/d)	22,353	20,324	17,027	13,238	19,201	24,477	24,021	21,642	20,726	17,449	22,730

	2024	2023				2022				Annual	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	2023	2022
CENTRAL ALBERTA AND REGION											
Shale gas (MMcf/d)	36.3	27.5	25.9	28.2	29.4	29.7	27.1	27.0	26.0	27.7	27.5
Conventional natural gas (MMcf/d)	2.3	4.5	4.3	5.5	5.4	5.4	5.9	5.8	5.1	4.9	5.5
Natural gas (MMcf/d)	38.6	32.0	30.2	33.7	34.8	35.1	33.0	32.8	31.1	32.6	33.0
Condensate (Bbl/d)	3,233	1,364	858	994	1,024	1,116	980	771	892	1,060	941
Other NGLs (Bbl/d)	1,140	747	624	745	854	841	720	522	451	742	636
NGLs (Bbl/d)	4,373	2,111	1,482	1,739	1,878	1,957	1,700	1,293	1,343	1,802	1,577
Light and medium crude oil (Bbl/d)	22	34	23	28	30	290	169	23	36	29	130
Tight oil (Bbl/d)	239	267	303	264	393	367	241	149	115	306	219
Heavy crude oil (Bbl/d)	389	433	396	409	460	–	–	–	–	424	–
Crude oil (Bbl/d)	650	734	722	701	883	657	410	172	151	759	349
Total (Boe/d)	11,461	8,164	7,236	8,055	8,561	8,459	7,599	6,934	6,674	8,001	7,423

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 three months ended March 31, 2024 and 2023 is provided in this MD&A under "Operating Results – Netback".

Non-GAAP Ratios

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

Netback on a \$/Boe basis is calculated by dividing netback for the applicable period by the total 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 15 in the Interim Financial Statements for a description of the composition and use of these measures. Refer also to the "Liquidity and Capital Resources" section in this MD&A.

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

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

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

Supplementary Financial Measures

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

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

applicable, over the referenced period by the weighted average diluted shares outstanding during the period determined under IFRS.

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

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

ADVISORIES

Forward-looking Information

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

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

This MD&A contains disclosures expressed as "Boe", "\$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy

equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the three months ended March 31, 2024, the value ratio between crude oil and natural gas was approximately 49:1. 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 Company's 2024 guidance and, for illustrative comparison, two alternative pricing scenarios for the final three quarters of 2024:

	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	\$205 million	\$135 million	\$65 million

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