Paramount resources ltd.

Management's Discussion and Analysis
For the three and six months ended June 30, 2022

This Management's Discussion and Analysis ("MD&A"), dated August 2, 2022 should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the three and six months ended June 30, 2022 (the "Interim Financial Statements") and Paramount's audited Consolidated Financial Statements as at and for the year ended December 31, 2021 (the "Annual Financial Statements"). Financial data included in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and is stated in millions of Canadian dollars, unless otherwise noted. The Company's accounting policies have been applied consistently to all periods presented. Certain comparative figures have been reclassified to conform to the current year's presentation.

ABOUT PARAMOUNT

Paramount is an independent, publicly traded, liquids-focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas. Paramount's principal properties are located in Alberta and British Columbia. Paramount commenced operations as a public company in 1978 and has adapted to a multitude of operating and economic climates over the years. The Company's Class A common shares ("Common Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "POU". Additional information concerning Paramount, including its Annual Information Form for the year ended December 31, 2021 ("Annual Information Form"), can be found on the SEDAR website at www.sedar.com.

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

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

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

SPECIFIED FINANCIAL MEASURES, PRODUCT TYPES AND OTHER ADVISORIES

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

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

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

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
FINANCIAL				
Petroleum and natural gas sales	**536.2**	299.8	**1,035.9**	579.9
Net income (loss)	**182.2**	(74.3)	**198.9**	(156.8)
Per share – basic ($/share)	***1.29***	*(0.56)*	***1.42***	*(1.18)*
Per share – diluted ($/share)	***1.24***	*(0.56)*	***1.36***	*(1.18)*
Cash from operating activities	**318.9**	112.1	**493.9**	193.4
Per share – basic ($/share) (1)	***2.26***	*0.84*	***3.52***	*1.46*
Per share – diluted ($/share) (1)	***2.16***	*0.84*	***3.37***	*1.46*
Adjusted funds flow (1)	**258.3**	86.0	**496.0**	176.9
Per share – basic ($/share)	***1.83***	*0.65*	***3.54***	*1.33*
Per share – diluted ($/share)	***1.75***	*0.65*	***3.38***	*1.33*
Free cash flow (1)	**68.3**	(2.4)	**171.6**	19.2
Per share – basic ($/share)	***0.48***	*(0.02)*	***1.22***	*0.14*
Per share – diluted ($/share)	***0.46***	*(0.02)*	***1.17***	*0.14*
Total assets			**4,076.2**	3,655.6
Investments in securities			**468.8**	228.2
Long-term debt			**227.7**	608.4
Net debt (1)			**374.0**	724.5
Total liabilities			**1,186.3**	1,601.1
Common shares outstanding (millions) (2)			**141.2**	133.3
OPERATIONAL				
Sales volumes				
Natural gas (MMcf/d)	**267.2**	273.1	**270.1**	273.1
Condensate and oil (Bbl/d)	**27,750**	29,543	**29,553**	29,698
Other NGLs (Bbl/d)	**5,021**	4,938	**5,148**	5,054
Total (Boe/d)	**77,312**	79,995	**79,711**	80,266
% Liquids	***42%***	*43%*	***44%***	*43%*
Realized prices (1)				
Natural gas ($/Mcf)	**6.75**	3.01	**5.96**	3.08
Condensate and oil ($/Bbl)	**134.65**	77.96	**125.61**	73.58
Other NGLs ($/Bbl)	**62.80**	32.11	**62.21**	32.20
Petroleum and natural gas sales ($/Boe)	**76.22**	41.18	**71.80**	39.91
Capital expenditures	**184.1**	83.4	**301.2**	142.7

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

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

Q2 2022 OVERVIEW

In the second quarter of 2022:

- Sales volumes averaged 77,312 Boe/d (42% liquids) compared to 82,137 Boe/d (45% liquids) in the first quarter.
    - Sales volumes at Karr averaged 31,295 Boe/d (50% liquids) compared to 38,611 Boe/d (51% liquids) in the first quarter. Second quarter sales volumes were lower than expected at Karr due to eight days of unplanned downtime arising from a longer-than-planned turnaround at a third-party midstream facility. This reduced second quarter average sales volumes by approximately 3,500 Boe/d.
    - Sales volumes at Wapiti averaged 17,441 Boe/d (57% liquids) compared to 16,126 Boe/d (59% liquids) in the first quarter. Second quarter sales volumes were lower than expected at Wapiti due to unplanned outages and curtailments totaling approximately eleven days at the third-party Wapiti natural gas processing plant (the "Wapiti Plant") and associated infrastructure. This reduced second quarter average sales volumes by approximately 2,500 Boe/d.
    - As a result of this unplanned downtime, average first half 2022 sales volumes of 79,711 Boe/d (44% liquids) were below previous guidance of between 81,000 Boe/d and 85,000 Boe/d (44% liquids).
- Cash from operating activities was $318.9 million ($2.26 per basic share) compared to $174.9 million ($1.25 per basic share) in the first quarter. Adjusted funds flow was $258.3 million ($1.83 per basic share) compared to $237.8 million ($1.70 per basic share) in the first quarter. Free cash flow was $68.3 million ($0.48 per basic share) compared to $103.4 million ($0.74 per basic share) in the first quarter.
- Capital expenditures totaled $184.1 million compared to $117.0 million in the first quarter and were predominantly focused on drilling and completion activities at Karr and Wapiti and in the Kaybob Region.
- Abandonment and reclamation expenditures totaled $4.0 million, net of $1.3 million in funding under the Alberta Site Rehabilitation Program ("ASRP").
- Net debt was $374.0 million at June 30, 2022 compared to $361.2 million at March 31, 2022. Second quarter 2022 net debt to adjusted funds flow was 0.5x compared to 0.6x at March 31, 2022.(1)

Consistent with its free cash flow priorities, during the second quarter the Company paid an aggregate of $39.7 million in dividends and completed $37.8 million in land and property acquisitions. See "Free Cash Flow Priorities" and "Liquidity and Capital Resources" in this MD&A.

Following the Company's second quarter Willesden Green Duvernay acquisition, Paramount entered into a definitive agreement in July to acquire a further 90,000 net acres of Duvernay lands and approximately 1,700 Boe/d (55% liquids) of current production at Willesden Green for $68.5 million in cash prior to adjustments. The acquisition is expected to close in the third quarter of 2022 subject to customary closing conditions.

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

Also in July, Paramount entered into a definitive agreement for the sale of certain non-core infrastructure assets for approximately $63 million in cash prior to adjustments. The disposition is expected to close in the third quarter of 2022 subject to customary closing conditions. Following closing, annual operating expenses are expected to increase by approximately $7.8 million (approximately $0.20/Boe, based on the midpoint of forecast 2023 sales volumes of 107,500 Boe/d).

The Company continues to monitor its supply chain and the availability and cost of materials and third-party services. While the Company has not, to date, experienced material interruptions in the availability of supplies or services, it is experiencing inflationary cost pressures across its operations. Paramount has responded to these pressures by seeking additional efficiencies in its capital program and operations and through advance planning and ordering aimed at mitigating future cost increases and potential shortages of supplies and services. However, these response measures have not fully offset the inflationary cost pressures that are currently being experienced. Accordingly, the Company has upwardly revised its planned 2022 capital expenditures and preliminary 2023 capital budget as described under "Updated 2022 Guidance and Preliminary 2023 Budget" in this MD&A.

Commodity prices and economic conditions remain, in part, dependent on the course of the COVID-19 pandemic, the Russian invasion of the Ukraine and the response thereto. The Company continues to proactively respond to the pandemic and the risks that it poses, including the risks described in this MD&A under "Risk Factors".

UPDATED 2022 GUIDANCE AND PRELIMINARY 2023 BUDGET

The Company's planned 2022 capital expenditures have been upwardly revised by $80 million at the midpoint to a range of between $600 million and $640 million. Most of the increase reflects the impact of higher than anticipated inflation. Paramount, through its Fox Drilling subsidiary, is also budgeting $20 million in 2022 for the majority of the costs to construct a fifth super-spec walking rig that will be deployed in the Company's 2023 drilling program. The increase also reflects the pre-ordering of certain materials, particularly casing, required for the 2023 development program to ensure continued availability. Paramount remains committed to prudently managing its capital resources and has the flexibility to adjust its capital expenditure plans depending on commodity prices and other factors. The Company continues to budget $33 million of abandonment and reclamation expenditures in 2022, net of approximately $8 million in funding under the ASRP.

The Company is increasing its second half 2022 average sales volume guidance by 1,000 Boe/d to between 102,000 Boe/d and 106,000 Boe/d (46% liquids), resulting in expected annual average sale volumes of between approximately 91,000 Boe/d and 93,000 Boe/d (45% liquids). Higher forecast production at Wapiti due to well out-performance and the acquisition of production through the pending Willesden Green acquisition is anticipated to more than offset lower than previously expected production at Karr resulting from changes to the timing of bringing new wells on production. Production volumes at Wapiti are now anticipated to reach the targeted plateau of 30,000 Boe/d by the end of 2022.

Paramount is updating its forecast of 2022 free cash flow to approximately $600 million from $710 million to reflect updated capital spending, commodity prices, production and other assumptions. The revised free cash flow forecast is based on the following assumptions for 2022: (i) the midpoint of forecast capital spending and production, (ii) $33 million in net abandonment and reclamation costs, (iii) $7 million in geological and geophysical expenses, (iv) realized pricing of $72.85/Boe (US$95.89/Bbl WTI, US$6.89/MMBtu NYMEX, $5.81/GJ AECO), (v) a $US/$CAD exchange rate of $0.781, (vi) royalties of $12.25/Boe, (vii) operating costs of $11.65/Boe and (viii) transportation and processing costs of $4.05/Boe.

The Company's 2022 capital program, targeted net debt reduction and regular monthly dividend would remain fully funded down to an average WTI price of about US$50/Bbl over the last two quarters of 2022.

Paramount's anticipated 2023 capital expenditure budget, based on preliminary planning and current market conditions, has been upwardly revised by $115 million at the midpoint to a range of between $650 million and $700 million. The additional capital expenditures largely reflect the impact of higher inflation.

The Company continues to expect that a capital program in this range will result in 2023 average sales volumes of 105,000 Boe/d to 110,000 Boe/d (47% liquids).

Paramount is updating its estimate of 2023 free cash flow that would be expected from such a capital program to approximately $725 million from $820 million to reflect updated capital spending, commodity price and other assumptions. The revised free cash flow estimate is based on the following assumptions for 2023: (i) the midpoint of stated capital spending and production, (ii) $40 million in abandonment and reclamation costs, (iii) $7 million in geological and geophysical expenses, (iv) realized pricing of $64.45/Boe (US$84.41/Bbl WTI, US$5.68/MMBtu NYMEX, $5.06/GJ AECO), (v) a $US/$CAD exchange rate of $0.777, (vi) royalties of $11.40/Boe, (vii) operating costs of $11.20/Boe and (vii) transportation and processing costs of $3.85/Boe.

FREE CASH FLOW PRIORITIES

Paramount's free cash flow priorities continue to be: (i) the achievement of its net debt target of about $300 million and the maintenance of conservative leverage levels thereafter, (ii) shareholder returns and (iii) incremental growth.

- The Company expects to achieve its net debt target of about $300 million in the fall. At this level, year-end 2022 net debt to adjusted funds flow would be less than 0.3x. Unallocated free cash flows may be directed at times to reduce net debt below the $300 million target to provide further financial flexibility.
- Paramount has increased shareholder returns by implementing a regular monthly dividend in July 2021 of $0.02 per share and increasing it three times to $0.10 per share beginning in May 2022. The Company also retains the flexibility to make repurchases of up to 7.6 million Common Shares under its normal course issuer bid, which was renewed in June 2022.
- Incremental capital has been allocated to internal growth opportunities with the highest risk-adjusted rates of return and to accretive acquisitions in the Willesden Green Duvernay and Karr/Wapiti Montney.

Paramount has hedged approximately 28 percent of its remaining 2022 forecast production to provide greater free cash flow certainty. See "Operating Results – Risk Management Contracts".

CONSOLIDATED RESULTS

Net Income (Loss)

Paramount recorded net income of $182.2 million for the three months ended June 30, 2022 compared to a net loss of $74.3 million in the same period in 2021. Significant factors contributing to the change are shown below:

Three months ended June 30	
Net loss – 2021	**(74.3)**
• Higher netback in 2022, mainly due to higher commodity prices	170.4
• Lower depletion, depreciation and impairment reversal in 2022, mainly due to a recovery related to changes in asset retirement obligations compared to a charge in 2021	76.4
• Lower loss on risk management contracts in 2022	34.4
• Loss on settlement of dissent payment entitlement in 2021	22.6
• Lower provision recorded in 2022	14.9
• Lower interest and financing expense in 2022	12.0
• Income tax expense in 2022 compared to a recovery in 2021	(73.5)
• Other	(0.7)
Net income – 2022	**182.2**

Paramount recorded net income of $198.9 million for the six months ended June 30, 2022 compared to a net loss of $156.8 million in the same period in 2021. Significant factors contributing to the change are shown below:

Six months ended June 30	
Net loss – 2021	**(156.8)**
• Higher netback in 2022, mainly due to higher commodity prices	323.9
• Lower depletion, depreciation and impairment reversal in 2022, mainly due to a recovery related to changes in asset retirement obligations compared to a charge in 2021	139.7
• Lower interest and financing expense in 2022	24.1
• Loss on settlement of dissent payment entitlement in 2021	22.6
• Lower provision recorded in 2022	22.4
• Income tax expense in 2022 compared to a recovery in 2021	(102.9)
• Lower gain on sale of oil and gas assets in 2022	(38.3)
• Higher loss on risk management contracts in 2022	(36.3)
• Other	0.5
Net income – 2022	**198.9**

Cash From Operating Activities

Cash from operating activities for the three months ended June 30, 2022 was $318.9 million compared to $112.1 million in the same period in 2021. Significant factors contributing to the change are shown below:

Three months ended June 30	
Cash from operating activities – 2021	**112.1**
• Higher netback in 2022, mainly due to higher commodity prices	170.4
• Change in non-cash working capital	20.5
• Lower provision recorded in 2022	14.9
• Lower interest and financing expense in 2022	7.8
• Higher payments on risk management contract settlements in 2022	(7.8)
• Other	1.0
Cash from operating activities – 2022	**318.9**

Cash from operating activities for the six months ended June 30, 2022 was $493.9 million compared to $193.4 million for the same period in 2021. Significant factors contributing to the change are shown below:

Six months ended June 30	
Cash from operating activities – 2021	**193.4**
• Higher netback in 2022, mainly due to higher commodity prices	323.9
• Lower provision recorded in 2022	22.4
• Lower interest and financing expense in 2022	18.4
• Change in non-cash working capital	(32.8)
• Higher payments on risk management contract settlements in 2022	(24.7)
• Higher asset retirement obligations settled in 2022	(7.3)
• Other	0.6
Cash from operating activities – 2022	**493.9**

Adjusted Funds Flow (1)

Adjusted funds flow for the three months ended June 30, 2022 was $258.3 million compared to $86.0 million in the same period in 2021. Significant factors contributing to the change are shown below:

Three months ended June 30	
Adjusted funds flow – 2021	**86.0**
• Higher netback in 2022, mainly due to higher commodity prices	170.4
• Lower interest and financing expense in 2022	7.8
• Higher payments on risk management contract settlements in 2022	(7.8)
• Other	1.9
Adjusted funds flow – 2022	**258.3**

Adjusted funds flow for the six months ended June 30, 2022 was $496.0 million compared to $176.9 million in the same period in 2021. Significant factors contributing to the change are shown below:

Six months ended June 30	
Adjusted funds flow – 2021	**176.9**
• Higher netback in 2022, mainly due to higher commodity prices	323.9
• Lower interest and financing expense in 2022	18.4
• Higher payments on risk management contract settlements in 2022	(24.7)
• Other	1.5
Adjusted funds flow – 2022	**496.0**

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 June 30		Six months ended June 30	
	2022	**2021**	**2022**	**2021**
Cash from operating activities	**318.9**	112.1	**493.9**	193.4
Change in non-cash working capital (2)	**(68.1)**	(47.6)	**(22.7)**	(55.5)
Geological and geophysical expense (3)	**1.9**	1.8	**4.4**	3.5
Asset retirement obligations settled (2)	**4.0**	3.2	**18.8**	11.5
Provisions (4)	**1.6**	16.5	**1.6**	24.0
Adjusted funds flow	**258.3**	86.0	**496.0**	176.9
Adjusted funds flow (*$/Boe*) (5)	**36.71**	11.81	**34.38**	12.18

(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) Refer to the "Interim Condensed Consolidated Statements of Cash Flows" in the Interim Financial Statements.
(3) Refer to Note 2 in the Interim Financial Statements.
(4) Refer to Note 13 in the Interim Financial Statements.
(5) Adjusted funds flow ($/Boe) is a supplementary financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information.

Free Cash Flow (1)

Free cash flow for the three months ended June 30, 2022 was $68.3 million compared to ($2.4) million for the three months ended June 30, 2021. Significant factors contributing to the change are shown below:

Three months ended June 30	
Free cash flow – 2021	**(2.4)**
• Higher adjusted funds flow (described in "Adjusted Funds Flow" section above)	172.3
• Higher capital expenditures in 2022	(100.7)
• Higher asset retirement obligations settled in 2022	(0.8)
• Higher geological and geophysical expense in 2022	(0.1)
Free cash flow – 2022	**68.3**

Free cash flow for the six months ended June 30, 2022 was $171.6 million compared to $19.2 million for the six months ended June 30, 2021. Significant factors contributing to the change are shown below:

Six months ended June 30	
Free cash flow – 2021	**19.2**
• Higher adjusted funds flow (described in "Adjusted Funds Flow" section above)	319.1
• Higher capital expenditures in 2022	(158.5)
• Higher asset retirement obligations settled in 2022	(7.3)
• Higher geological and geophysical expense in 2022	(0.9)
Free cash flow – 2022	**171.6**

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

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Cash from operating activities	**318.9**	112.1	**493.9**	193.4
Change in non-cash working capital (2)	**(68.1)**	(47.6)	**(22.7)**	(55.5)
Geological and geophysical expense (3)	**1.9**	1.8	**4.4**	3.5
Asset retirement obligations settled (2)	**4.0**	3.2	**18.8**	11.5
Provisions (4)	**1.6**	16.5	**1.6**	24.0
Adjusted funds flow	**258.3**	86.0	**496.0**	176.9
Capital expenditures (2)	**(184.1)**	(83.4)	**(301.2)**	(142.7)
Geological and geophysical expense (3)	**(1.9)**	(1.8)	**(4.4)**	(3.5)
Asset retirement obligations settled (2)	**(4.0)**	(3.2)	**(18.8)**	(11.5)
Free cash flow	**68.3**	(2.4)	**171.6**	19.2

(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. Prior period results have been updated to reflect the current period presentation.
(2) Refer to the "Interim Condensed Consolidated Statements of Cash Flows" in the Interim Financial Statements.
(3) Refer to Note 2 in the Interim Financial Statements.
(4) Refer to Note 13 in the Interim Financial Statements.

OPERATING RESULTS

Netback (1)

	Three months ended June 30				Six months ended June 30			
	2022		2021		2022		2021	
		($/Boe) (2)(3)		($/Boe) (2)(3)		($/Boe) (2)(3)		($/Boe) (2)(3)
Natural gas revenue (4)	**164.0**	***6.75***	74.8	*3.01*	**291.1**	***5.96***	152.1	*3.08*
Condensate and oil revenue (4)	**340.0**	***134.65***	209.6	*77.96*	**671.9**	***125.61***	395.5	*73.58*
Other NGLs revenue (4)	**28.7**	***62.80***	14.4	*32.11*	**58.0**	***62.21***	29.5	*32.20*
Royalty and other revenue (4)	**3.5**	–	1.0	–	**14.9**	–	2.8	–
Petroleum and natural gas sales (5)	**536.2**	***76.22***	299.8	*41.18*	**1,035.9**	***71.80***	579.9	*39.91*
Royalties (5)	**(85.2)**	***(12.11)***	(24.9)	*(3.43)*	**(161.4)**	***(11.19)***	(43.6)	*(3.00)*
Operating expense (5)	**(88.7)**	***(12.61)***	(81.8)	*(11.23)*	**(177.9)**	***(12.33)***	(166.1)	*(11.43)*
Transportation and NGLs processing (5)	**(30.8)**	***(4.37)***	(30.3)	*(4.16)*	**(62.1)**	***(4.31)***	(58.1)	*(4.00)*
Sales of commodities purchased (5)	**42.7**	***6.06***	13.5	*1.85*	**91.4**	***6.33***	22.1	*1.52*
Commodities purchased (5)	**(41.1)**	***(5.84)***	(13.6)	*(1.86)*	**(90.2)**	***(6.25)***	(22.4)	*(1.54)*
Netback	**333.1**	***47.35***	162.7	*22.35*	**635.7**	***44.05***	311.8	*21.46*
Risk management contract settlements (6)	**(61.9)**	***(8.79)***	(54.1)	*(7.44)*	**(111.5)**	***(7.73)***	(86.8)	*(5.98)*
Netback including risk management contract settlements (7)	**271.2**	***38.56***	108.6	*14.91*	**524.2**	***36.32***	225.0	*15.48*

(1) Netback is a non-GAAP financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.
(2) Natural gas revenue shown per Mcf.
(3) When presented on a $/Boe or $/Mcf basis, each of the components of Netback is a supplementary financial measure and Netback and Netback including risk management contract settlements are non-GAAP ratios. Refer to the "Specified Financial Measures" section of this MD&A for more information on these measures.
(4) Refer to Note 12 in the Interim Financial Statements. Royalty and other revenue for the three and six months ended June 30, 2022 includes $1.3 million and $11.9 million, respectively, in respect of a business interruption insurance claim.
(5) Refer to "Interim Condensed Consolidated Statements of Comprehensive Income (Loss)" in the Interim Financial Statements.
(6) Refer to Note 11 in the Interim Financial Statements.
(7) Netback including risk management contract settlements is a non-GAAP financial measure. Refer to the "Specified Financial Measures" section of this MD&A for more information on this measure.

Petroleum and natural gas sales were $536.2 million in the second quarter of 2022, an increase of $236.4 million from the second quarter of 2021. Petroleum and natural gas sales were $1,035.9 million for the six months ended June 30, 2022, an increase of $456.0 million compared to the same period in 2021.

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

	Natural gas	Condensate and oil	Other NGLs	Royalty and other	Total
Three months ended June 30, 2021	74.8	209.6	14.4	1.0	299.8
Effect of changes in prices	90.8	143.1	14.1	–	248.0
Effect of changes in sales volumes	(1.6)	(12.7)	0.2	–	(14.1)
Change in royalty and other revenue	–	–	–	2.5	2.5
Three months ended June 30, 2022	**164.0**	**340.0**	**28.7**	**3.5**	**536.2**

	Natural gas	Condensate and oil	Other NGLs	Royalty and other	Total
Six months ended June 30, 2021	152.1	395.5	29.5	2.8	579.9
Effect of changes in prices	140.7	278.3	27.9	–	446.9
Effect of changes in sales volumes	(1.7)	(1.9)	0.6	–	(3.0)
Change in royalty and other revenue	–	–	–	12.1	12.1
Six months ended June 30, 2022	**291.1**	**671.9**	**58.0**	**14.9**	**1,035.9**

Royalty and other revenue for the three and six months ended June 30, 2022 includes $1.3 million and $11.9 million, respectively, in respect of a business interruption insurance claim arising from outages at the Wapiti Plant in 2020 and 2021.

Sales Volumes (1)

	Three months ended June 30											
	Natural gas (MMcf/d)			Condensate and oil (Bbl/d)			Other NGLs (Bbl/d)			Total (Boe/d)		
	2022	2021	*% Change*	2022	2021	*% Change*	2022	2021	*% Change*	2022	2021	*% Change*
Karr	**94.6**	107.6	*(12)*	**13,551**	18,458	*(27)*	**1,978**	2,281	*(13)*	**31,295**	38,679	*(19)*
Wapiti	**45.2**	26.7	*69*	**8,965**	5,632	*59*	**936**	593	*58*	**17,441**	10,666	*64*
Grande Prairie	**139.8**	134.3	*4*	**22,516**	24,090	*(7)*	**2,914**	2,874	*1*	**48,736**	49,345	*(1)*
Kaybob	**94.6**	97.3	*(3)*	**4,291**	4,897	*(12)*	**1,585**	1,569	*1*	**21,642**	22,688	*(5)*
Central Alberta and Other	**32.8**	41.5	*(21)*	**943**	556	*70*	**522**	495	*5*	**6,934**	7,962	*(13)*
Total	**267.2**	273.1	*(2)*	**27,750**	29,543	*(6)*	**5,021**	4,938	*2*	**77,312**	79,995	*(3)*

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

Sales volumes were 77,312 Boe/d (42% liquids) in the second quarter of 2022 compared to 79,995 Boe/d (43% liquids) in the same period in 2021.

Second quarter 2022 Karr sales volumes were 31,295 Boe/d (50% liquids) compared to 38,679 Boe/d (54% liquids) in the same period in 2021. Karr production was shut-in for approximately three weeks in the second quarter of 2022 due to planned turnarounds at two third-party midstream facilities, impacting quarterly average production by an estimated 10,300 Boe/d. Approximately 3,500 Boe/d of this impact was due to one of the turnarounds extending eight days beyond schedule. These impacts were partially offset by production from seven new wells brought on in the first quarter of 2022 in addition to 10 new wells brought on in the second half of 2021.

Wapiti sales volumes in the second quarter of 2022 increased to 17,441 Boe/d (57% liquids), 64 percent higher than the same period in 2021, as a result of 12 new wells being brought on production in the first half of 2022 in addition to 10 new wells brought on production in the second half of 2021. Average second quarter 2022 sales volumes at Wapiti were impacted by an estimated 3,800 Boe/d due to a planned turnaround as well as unplanned outages and curtailments at the Wapiti Plant and associated infrastructure. Approximately 2,500 Boe/d of this impact was due to the unplanned outages and curtailments.

Kaybob Region sales volumes averaged 21,642 Boe/d (27% liquids) in the second quarter of 2022, five percent lower than the second quarter of 2021 as the impact of four (3.5 net) new wells brought on production in the first half of 2022 was more than offset by declines.

Sales volumes in the Central Alberta and Other Region were 6,934 Boe/d (21% liquids) in the second quarter of 2022 compared to 7,962 Boe/d (13% liquids) in the same period of 2021. Second quarter 2022 sales volumes were lower by approximately 2,300 Boe/d (23% liquids) compared to the same period in 2021 due to non-core dispositions completed in the third quarter of 2021. The decrease was partially offset by incremental sales volumes from asset acquisitions completed in the second quarter of 2022.

	Six months ended June 30											
	Natural gas (MMcf/d)			Condensate and oil (Bbl/d)			Other NGLs (Bbl/d)			Total (Boe/d)		
	2022	**2021**	***% Change***	**2022**	**2021**	***% Change***	**2022**	**2021**	***% Change***	**2022**	**2021**	***% Change***
Karr	**103.9**	98.9	*5*	**15,388**	17,283	*(11)*	**2,225**	2,195	*1*	**34,933**	35,969	*(3)*
Wapiti	**42.2**	29.6	*43*	**8,884**	6,750	*32*	**864**	733	*18*	**16,787**	12,402	*35*
Grande Prairie	**146.1**	128.5	*14*	**24,272**	24,033	*1*	**3,089**	2,928	*5*	**51,720**	48,371	*7*
Kaybob	**92.0**	102.6	*(10)*	**4,287**	5,085	*(16)*	**1,572**	1,623	*(3)*	**21,186**	23,807	*(11)*
Central Alberta and Other	**32.0**	42.0	*(24)*	**994**	580	*71*	**487**	503	*(3)*	**6,805**	8,088	*(16)*
Total	**270.1**	273.1	*(1)*	**29,553**	29,698	–	**5,148**	5,054	*2*	**79,711**	80,266	*(1)*

Sales volumes were 79,711 Boe/d (44% liquids) in the six months ended June 30, 2022 compared to 80,266 Boe/d (43% liquids) in the same period in 2021.

At Karr, sales volumes were 34,933 Boe/d (50% liquids) for the six months ended June 30, 2022 compared to 35,969 Boe/d (54% liquids) in the same period in 2021. Production at Karr in the first half of 2022 was impacted by the turnarounds at two third-party midstream facilities described above. This impact was mostly offset by production from seven new wells brought-on production in the first half of 2022 and 10 new wells brought-on in the second half of 2021.

Sales volumes at Wapiti increased to 16,787 Boe/d (58% liquids) in the six months ended June 30, 2022 compared to 12,402 Boe/d (60% liquids) in the same period in 2021. The increase was mainly due to 12 new wells being brought on production in the first half of 2022 in addition to 10 new wells brought on production in the second half of 2021. Production at Wapiti in the first six months of 2022 was impacted by an estimated 4,500 Boe/d due to a planned turnaround as well as unplanned outages and curtailments at the Wapiti Plant and associated infrastructure.

Kaybob Region sales volumes averaged 21,186 Boe/d (28% liquids) in the six months ended June 30, 2022 compared to 23,807 Boe/d (28% liquids) in the same period in 2021. The decrease in production is primarily attributable to declines and non-core dispositions completed in 2021.

Sales volumes in the Central Alberta and Other Region were 6,805 Boe/d (22% liquids) in the six months ended June 30, 2022 compared to 8,088 Boe/d (13% liquids) in the same period of 2021. For the six months ended June 30, 2022, sales volumes were lower by approximately 2,400 Boe/d (23% liquids) due to dispositions completed in 2021, which were partially offset by new production at Willesden Green.

Commodity Prices [1]

	Three months ended June 30			Six months ended June 30		
	2022	2021	% Change	2022	2021	% Change
Natural Gas						
Paramount realized natural gas price ($/Mcf)	**6.75**	3.01	*124*	**5.96**	3.08	*94*
AECO daily spot ($/GJ)	**6.86**	2.93	*134*	**5.68**	2.96	*92*
AECO monthly index ($/GJ)	**5.95**	2.70	*120*	**5.15**	2.74	*88*
Dawn ($/MMbtu)	**9.28**	3.43	*171*	**7.46**	3.58	*108*
NYMEX (US$/MMbtu)	**7.49**	2.97	*152*	**6.03**	2.85	*112*
Malin monthly index (US$/MMbtu)	**6.74**	2.75	*145*	**6.20**	2.72	*128*
Condensate and Oil						
Paramount realized condensate & oil price ($/Bbl)	**134.65**	77.96	*73*	**125.61**	73.58	*71*
Edmonton light sweet crude oil ($/Bbl)	**136.34**	76.29	*79*	**127.00**	72.46	*75*
West Texas Intermediate crude oil (US$/Bbl)	**108.41**	66.03	*64*	**101.35**	61.94	*64*
Other NGLs						
Paramount realized Other NGLs price ($/Bbl)	**62.80**	32.11	*96*	**62.21**	32.20	*93*
Conway – propane ($/Bbl)	**65.27**	42.96	*52*	**66.85**	45.87	*46*
Belvieu – butane ($/Bbl)	**80.62**	48.32	*67*	**82.54**	49.33	*67*
Foreign Exchange						
$CAD / 1 $US	**1.28**	1.23	*4*	**1.27**	1.25	*2*

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

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

Realized natural gas prices include the impacts of sales under fixed-price physical contracts. In the second quarter of 2022, a total of 80,000 GJ/d and 20,000 MMBtu/d of natural gas was sold under fixed price physical contracts at prices of CAD$3.78/GJ and US$4.03/MMBtu, respectively (second quarter of 2021 – 100,000 GJ/d of natural gas at CAD$2.51/GJ). In the first half of 2022, approximately 60,000 GJ/d and 10,000 MMBtu/d of natural gas was sold under fixed price physical contracts at prices of CAD$3.87/GJ and US$4.03/MMBtu, respectively (first half of 2021 – 95,000 GJ/d of natural gas at CAD$2.55/GJ).

The Company had the following fixed-price physical contracts at June 30, 2022:

	Volume	Location	Average price	Remaining term
Natural gas	80,000 GJ/d	AECO	CAD$3.78/GJ	July 2022 – October 2022
Natural gas	20,000 MMBtu/d	Dawn	US$4.03/MMBtu	July 2022 – October 2022

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

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

Risk Management Contracts

Commodity Contracts

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

	Six months ended June 30, 2022
Fair value, beginning of period	5.4
Changes in fair value	(191.8)
Settlements paid	111.4
Fair value, end of period	**(75.0)**

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

The following table summarizes the Company's financial and physical commodity contracts at August 2, 2022:

	Type (1)	Q3 2022	Q4 2022	Q1 2023	Average Price (2)
Oil					
WTI Swaps (Sale) (Bbl/d)	Financial	3,500	3,500	–	US$75.79/Bbl
WTI Swaps (Sale) (Bbl/d)	Financial	3,500	3,500	–	CAD$91.38/Bbl
WTI Collars (Bbl/d)	Financial	7,000	7,000	–	CAD$82.50/Bbl (Floor) CAD$100.47/Bbl (Ceiling)
Natural gas					
NYMEX Swaps (Sale) (MMBtu/d)	Financial	30,000	–	–	US$4.67/MMBtu
NYMEX Swaps (Sale) (MMBtu/d)	Financial	–	3,370	–	US$4.91/MMBtu
AECO Fixed Price (GJ/d)	Physical	80,000	26,957	–	CAD$3.78/GJ
Dawn Fixed Price (MMBtu/d)	Physical	20,000	6,739	–	US$4.03/MMBtu
NYMEX Collars (MMBtu/d)	Financial	–	13,261	20,000	US$7.50/MMBtu (Floor) US$12.13/MMBtu (Ceiling)
AECO Collars (GJ/d)	Financial	–	13,261	20,000	CAD$7.25/GJ (Floor) CAD$9.60/GJ (Ceiling)

(1) Financial refers to financial commodity contracts. Physical refers to fixed-priced physical contracts.
(2) Average price is calculated using a weighted average of notional volumes and prices.

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.

The Company had the following foreign currency exchange contracts at June 30, 2022:

Instruments	Aggregate amount / notional	Average rate	Remaining term
Forwards	US$20 million / month	1.2794 CAD$ / US$1.00	July 2022 – December 2022
Forwards	US$10 million / month	1.2875 CAD$ / US$1.00	January 2023 – March 2023
Collars	US$5 million / month	1.25 CAD$ / US$1.00 (Floor) 1.30 CAD$ / US$1.00 (Ceiling)	July 2022 – November 2022
Swaps	US$10 million / month	1.2888 CAD$ / US$1.00	July 2022 – March 2023

Royalties

	Three months ended June 30				Six months ended June 30			
	2022	Rate	2021	Rate	2022	Rate	2021	Rate
Royalties	**85.2**	**16.0%**	24.9	8.3%	**161.4**	**15.8%**	43.6	7.6%
$/Boe (1)	***12.11***		*3.43*		***11.19***		*3.00*	

(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 $85.2 million in the second quarter of 2022, $60.3 million higher than the same period in 2021. Royalties for the six months ended June 30, 2022 were $161.4 million compared to $43.6 million in the same period in 2021. Royalties increased in 2022 due to both higher petroleum and natural gas sales and higher royalty rates. Royalty rates increased in 2022 due to higher commodity prices and a greater proportion of Karr and Wapiti wells having fully utilized new well royalty incentives.

Operating Expense

	Three months ended June 30			Six months ended June 30		
	2022	2021	% Change	2022	2021	% Change
Operating expense	**88.7**	81.8	8	**177.9**	166.1	7
$/Boe (1)	***12.61***	*11.23*	*12*	***12.33***	*11.43*	*8*

(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 $88.7 million in the second quarter of 2022 compared to $81.8 million in the same period in 2021. Operating expenses were $177.9 million in the first six months of 2022 compared to $166.1 million in the same period in 2021. Operating costs for the three and six months ended June 30, 2022 were higher mainly as a result of increased workover and maintenance activities, higher power and chemical costs and higher processing fees due to higher production at Wapiti. These increases were partially offset by lower operating costs because of dispositions of non-core properties in the Central Alberta & Other Region in the third quarter of 2021. Operating expenses in 2022 include the impact of continuing inflationary pressures.

Operating expense was $12.61/Boe and $12.33/Boe in the three and six months ended June 30, 2022, respectively, compared to $11.23/Boe and $11.43/Boe in the same periods in 2021, mainly due to the changes in costs and volumes described above.

Second quarter 2022 operating costs at Karr were $12.65/Boe compared to $9.40/Boe in the same period in 2021. Karr operating costs were $11.27/Boe for the six months ended June 30, 2022 compared to $9.98/Boe in the same period in 2021. Per unit operating costs at Karr were higher in both periods in 2022, mainly due to the impact of major turnarounds in the second quarter that reduced production as well as higher costs related to workovers.

Operating costs at Wapiti for the three and six months ended June 30, 2022 were $12.56/Boe and $12.62/Boe, respectively, compared to $16.22/Boe and $14.63/Boe, respectively, in the same periods in 2021, mainly due to higher production in 2022.

Transportation and NGLs Processing

	Three months ended June 30			Six months ended June 30		
	2022	2021	% Change	2022	2021	% Change
Transportation and NGLs processing	**30.8**	30.3	2	**62.1**	58.1	7
$/Boe (1)	***4.37***	*4.16*	*5*	***4.31***	*4.00*	*8*

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

Transportation and NGLs processing expense was $30.8 million and $62.1 million for the three and six months ended June 30, 2022, respectively, compared to $30.3 million and $58.1 million in the same periods in 2021. Transportation and NGLs processing costs increased in 2022 mainly as a result of higher production at Wapiti.

Other Items

	Three months ended June 30		Six months ended June 30	
	2022	**2021**	**2022**	**2021**
Depletion and depreciation	**71.7**	72.0	**144.3**	145.1
Change in asset retirement obligations	**(46.9)**	42.8	**(35.3)**	114.0
ASRP funding	**(1.3)**	(0.8)	**(6.2)**	(2.5)
Reversal of petroleum and natural gas assets impairment	**–**	(14.1)	**–**	(14.1)
(Gain) loss on sale of oil and gas assets	**0.2**	1.6	**(1.5)**	(39.8)
Exploration and evaluation expense	**6.9**	2.1	**22.9**	23.0

Depletion and depreciation expense was $71.7 million in the second quarter of 2022, compared to $72.0 million in the same period of 2021. Depletion and depreciation expense was $144.3 million in the six months ended June 30, 2022 compared to $145.1 million in the same period in 2021.

For the six months ended June 30, 2022, the Company recorded a recovery of $35.3 million (June 30, 2021 – a charge of $114.0 million) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment. The changes were mainly due to revisions in the credit-adjusted risk-free rate used to discount obligations.

In the first quarter of 2021, the Company sold certain non-core properties in the Kaybob and Central Alberta and Other CGUs for proceeds of approximately $80 million. A gain of $39 million was recognized on these sales.

Exploration and evaluation expense was $6.9 million and $22.9 million for the three and six months ended June 30, 2022, respectively, compared to $2.1 million and $23.0 million for the corresponding periods in 2021. The increase in the second quarter of 2022 compared to the same period in 2021 was primarily due to higher expenses related to expired mineral leases.

ASSET RETIREMENT OBLIGATIONS

Paramount's strategy is to utilize the advantages of the Alberta Energy Regulator's area-based closure program to advance its abandonment and reclamation activities in an efficient and cost-effective manner by targeting its efforts in concentrated areas. In the first half of 2022, Paramount focused its activities in the Zama area, which was shut-in during 2019.

Abandonment and reclamation expenditures in the first half of 2022 totaled $18.8 million, net of approximately $6.2 million in funding under the ASRP. Activities in the first six months of 2022 included the abandonment of 65 wells, including 36 under the Company's ongoing area-based closure program at Zama.

As at June 30, 2022, estimated undiscounted, uninflated asset retirement obligations were $1,319.6 million (December 31, 2021 – $1,318.7 million). As at June 30, 2022, the Company's discounted asset retirement obligations were $568.6 million (discounted at 8.5 percent and using an inflation rate of 2.0 percent) compared to $651.1 million as at December 31, 2021 (discounted at 7.0 percent and using an inflation rate of 2.0 percent). For further details concerning the Company's asset retirement obligations, refer to Note 6 in the Interim Financial Statements.

OTHER ASSETS

Investments in Securities

As at	June 30, 2022	December 31, 2021
Level one fair value hierarchy securities ("Level One Securities")	391.0	300.2
Level three fair value hierarchy securities ("Level Three Securities")	77.9	71.9
	468.8	372.1

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

For the three and six months ended June 30, 2022, the Company recorded a charge of $10.4 million and recovery of $147.7 million, respectively, before tax, to other comprehensive income ("OCI") as a result of changes in the fair value estimates of its investments in securities.

Paramount sold a portion of its Level One Securities in the first quarter of 2022 for cash proceeds of $51.0 million, resulting in $11.1 million of accumulated net gains, net of tax, being reclassified from reserves to retained earnings.

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

	Six months ended June 30, 2022	Twelve months ended December 31, 2021
Investments in securities, beginning of period	372.1	59.5
Changes in fair value of Level One Securities	141.8	256.0
Changes in fair value of Level Three Securities	5.9	60.8
Acquired	–	1.0
Proceeds of dispositions	(51.0)	(5.2)
Investments in securities, end of period	**468.8**	372.1

CORPORATE

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
General and administrative	10.2	10.6	19.5	19.3
Share-based compensation	1.5	2.1	9.0	8.1
Interest and financing	0.6	12.6	5.3	29.4
Accretion of asset retirement obligations	11.1	10.8	21.9	21.6
Settlement of dissent payment entitlement	–	22.6	–	22.6
Deferred income tax expense (recovery)	55.5	(18.0)	62.8	(40.1)

General and administrative expense was $10.2 million and $19.5 million for the three and six months ended June 30, 2022, respectively, relatively similar to the same periods in 2021.

Interest and financing expense was lower for the three and six months ended June 30, 2022 compared to the same periods in 2021 mainly due to lower average debt balances and lower interest rates under the Company's financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility"). Interest and financing expense for the three and six months ended June 30, 2022 was reduced by $4.1 million and $5.3 million, respectively, related to unrealized gains on the portion of the Company's interest rate swaps not accounted for as cash flow hedges.

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

Deferred income tax expense was $55.5 million and $62.8 million in the three and six months ended June 30, 2022, respectively, compared to recoveries recorded in the same period in 2021.

CAPITAL EXPENDITURES AND LAND AND PROPERTY ACQUISITIONS

Capital Expenditures

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Drilling, completion, equipping and tie-ins	159.3	80.3	265.3	136.0
Facilities and gathering	8.3	1.9	10.6	4.1
Drilling rigs	2.0	1.1	2.9	1.8
Corporate	14.5	0.1	22.4	0.8
Capital expenditures	184.1	83.4	301.2	142.7
Grande Prairie Region	107.2	66.5	184.0	117.7
Kaybob Region	57.9	3.9	89.1	9.0
Central Alberta and Other Region	0.8	11.8	0.9	13.1
Fox Drilling and Cavalier	3.7	1.1	4.8	2.1
Corporate	14.5	0.1	22.4	0.8
Capital expenditures	184.1	83.4	301.2	142.7

Land and Property Acquisitions

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Land and property acquisitions	37.8	0.1	67.0	0.1

Capital expenditures totaled $184.1 million in the second quarter of 2022 compared to $83.4 million in the second quarter of 2021. Capital expenditures totaled $301.2 million in the first half of 2022 compared to $142.7 million in the same period in 2021. Expenditures in the first six months of 2022 were mainly directed to drilling and completion programs in the Grande Prairie and Kaybob Regions. Significant capital program activities in the first half of 2022 included the following:

- At Karr, the Company drilled 7 (4.5) net wells and completed and brought-on production 7 (7.0 net) wells.
- At Wapiti, Paramount drilled 16 (16.0 net) wells, completed 9 (9.0 net) wells and brought-on production 12 (12.0 net) wells.
- In the Kaybob Region, the Company drilled 11 (10.5 net) wells, completed 10 (9.5 net) wells and brought-on production 4 (3.5 net) wells.

Land and property acquisitions in the first half of 2022 include $37.9 million and $24.1 million for asset acquisitions completed in Willesden Green and Karr/Wapiti Montney, respectively.

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

iii. maximize shareholder returns considering the risk environment.

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

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

As at	**June 30, 2022**	December 31, 2021
Cash and cash equivalents	**(1.2)**	(1.7)
Accounts receivable (1)	**(147.9)**	(139.7)
Prepaid expenses and other	**(11.5)**	(7.3)
Accounts payable and accrued liabilities	**306.9**	219.1
Long-term debt	**227.7**	386.3
Net debt	**374.0**	456.7

(1) Accounts receivable excludes amounts relating to subleases (June 30, 2022 – $1.5 million, December 31, 2021 – $2.2 million).

Net debt does not account for the $468.8 million carrying value of the Company's investments in securities as at June 30, 2022.

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

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

The ability of cash from operating activities to satisfy the Company's funding requirements in 2022 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 exchange rates.

Paramount may also determine to divest of assets or investments in securities from time to time to reduce indebtedness or fund operations. In the first quarter of 2022, Paramount sold a portion of its investments in securities for aggregate cash proceeds of $51.0 million and used the proceeds to reduce indebtedness under the Paramount Facility. Subject to market conditions and availability, proceeds from new debt and/or equity financings may also provide additional sources of capital from time to time.

Paramount Facility

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

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

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

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

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

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

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

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

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

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling $2.3 million at June 30, 2022 that reduce the amount available to be drawn on the facility.

Unsecured Letter of Credit Facility

The Company has a $70 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank. Paramount's obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada. The PSG is valid to June 30, 2023. At June 30, 2022, $25.3 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2021 – $38.7 million).

Cash Flow Hedges

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

Contract type	Aggregate notional	Remaining term	Average fixed contract rate	Reference	Fair value
Interest Rate Swaps	$250 million	July 2022 – January 2023	2.3%	CDOR (1)	1.0
Interest Rate Swaps	$250 million	July 2022 – January 2026	2.4%	CDOR (1)	8.7
Electricity Swaps	120 MWh/d (2)	January 2023 – December 2023	$62.50/MWh	AESO Pool Price (3)	1.4
Electricity Swaps	120 MWh/d (2)	January 2024 – December 2024	$53.25/MWh	AESO Pool Price (3)	0.7
					11.8

(1) Canadian Dollar Offered Rate.
(2) "MWh" means megawatt-hour.
(3) Floating hourly rate established by the Alberta Electric System Operator.

The Company has classified its floating-to-fixed interest and electricity swaps as cash flow hedges and applied hedge accounting. For the six months ended June 30, 2022, $170 million of floating-to-fixed interest rate swaps were de-designated as cash flow hedges, resulting in $2.1 million of unrealized gains being reclassified from OCI to interest and financing expense. At June 30, 2022, $320 million (December 31, 2021 – $150 million) of the $500 million floating-to-fixed interest rate swaps were not accounted for as cash flow hedges due to declines in borrowings under the Paramount Facility. There were no other changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified on the floating-to-fixed electricity swaps.

In the second quarter of 2022, it was announced that the calculation and publication of CDOR will cease in June 2024. The Company's floating-to-fixed interest rate swap contracts reference CDOR. Paramount is monitoring the impact to the hedge relationship of the cessation of CDOR and its replacement, which remains uncertain.

Share Capital

At July 29, 2022, Paramount had 141.2 million Common Shares outstanding (net of 0.8 million Common Shares held in trust under the Company's restricted share unit plan) and 9.8 million options to acquire Common Shares outstanding, of which 1.5 million options are exercisable.

Dividends

Dividends declared in the six months ended June 30, 2022 totaled $0.48 per Common Share. The Company also paid a dividend of $0.10 per Common Share on July 29, 2022 to shareholders of record on July 15, 2022.

Normal Course Issuer Bid

In June 2022, Paramount implemented a normal course issuer bid (the "2022 NCIB") under which the Company may purchase up to 7.6 million Common Shares for cancellation. The 2022 NCIB will terminate on the earlier of June 29, 2023 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2022 NCIB are purchased. Purchases of Common Shares under the 2022 NCIB will be effected through the facilities of the TSX or alternative Canadian trading systems at the market price at the time of purchase. The Company has not made any purchases of Common Shares under the 2022 NCIB to date.

Pursuant to the rules of the TSX, the Company may purchase a maximum of 135,258 Common Shares under the 2022 NCIB in one day. Paramount may also make one block purchase per calendar week which exceeds such daily purchase restriction, subject to the rules of the TSX. Any Common Shares purchased pursuant to the 2022 NCIB will be cancelled by the Company. Any shareholder may obtain, for no charge, a copy of the notice in respect of the 2022 NCIB filed with the TSX by contacting the Company at 403-290-3600.

Paramount previously implemented a normal course issuer bid in June 2021 (the "2021 NCIB"). The Company purchased and cancelled 197,500 Common Shares at a total cost of $2.7 million under the 2021 NCIB, which expired on June 29, 2022. No shares were purchased under the NCIB during the six months ended June 30, 2022.

QUARTERLY INFORMATION (1)

	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Petroleum and natural gas sales	**536.2**	499.6	434.5	369.2	299.8	280.1	202.6	139.1
Revenue	**493.7**	472.2	404.1	369.6	288.4	270.1	207.3	145.4
Net income (loss)	**182.2**	16.6	101.0	292.7	(74.3)	(82.5)	311.5	(23.3)
Per share – basic ($/share)	***1.29***	*0.12*	*0.75*	*2.20*	*(0.56)*	*(0.62)*	*2.35*	*(0.17)*
Per share – diluted ($/share)	***1.24***	*0.11*	*0.70*	*2.06*	*(0.56)*	*(0.62)*	*2.35*	*(0.17)*
Cash from operating activities	**318.9**	174.9	191.8	97.0	112.1	81.3	53.2	11.4
Per share – basic ($/share)	***2.26***	*1.25*	*1.42*	*0.73*	*0.84*	*0.61*	*0.40*	*0.09*
Per share – diluted ($/share)	***2.16***	*1.20*	*1.33*	*0.68*	*0.84*	*0.61*	*0.40*	*0.09*
Adjusted funds flow	**258.3**	237.8	174.6	148.4	86.0	90.9	67.9	29.5
Per share – basic ($/share)	***1.83***	*1.70*	*1.29*	*1.12*	*0.65*	*0.69*	*0.51*	*0.22*
Per share – diluted ($/share)	***1.75***	*1.63*	*1.21*	*1.04*	*0.65*	*0.69*	*0.51*	*0.22*
Dividends declared ($/share)	**0.28**	0.20	0.14	0.06	–	–	–	–
Sales volumes								
Natural gas (MMcf/d)	**267.2**	272.9	284.8	269.7	273.1	273.1	256.3	224.0
Condensate and oil (Bbl/d)	**27,750**	31,375	32,342	32,177	29,543	29,854	25,752	19,782
Other NGLs (Bbl/d)	**5,021**	5,276	5,462	5,017	4,938	5,170	4,987	3,952
Total (Boe/d)	**77,312**	82,137	85,265	82,150	79,995	80,540	73,460	61,064
Liquids %	***42%***	*45%*	*44%*	*45%*	*43%*	*43%*	*42%*	*39%*
Realized prices								
Natural gas ($/Mcf)	**6.75**	5.18	4.76	3.89	3.01	3.14	2.83	1.94
Condensate and oil ($/Bbl)	**134.65**	117.53	94.46	84.42	77.96	69.20	52.03	48.74
Other NGLs ($/Bbl)	**62.80**	61.64	54.61	47.05	32.11	32.29	20.61	18.10
Petroleum and natural gas ($/Boe)	**76.22**	67.59	55.40	48.86	41.18	38.64	29.97	24.76

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

Significant Items Impacting Quarterly Results

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

- Second quarter 2022 earnings include deferred income tax expense of $55.5 million, a recovery of $46.9 million related to changes in the discounted carrying value of asset retirement obligations in respect of properties that had a nil carrying value and a $41.3 million loss on risk management contracts.
- First quarter 2022 earnings include a $152.0 million loss on risk management contracts.
- Fourth quarter 2021 earnings include a charge of $19.9 million related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value and a $14.1 million loss on risk management contracts.
- Third quarter 2021 earnings include aggregate impairment reversals of $282.6 million from previously recorded impairment charges of petroleum and natural gas assets and a $32.3 million gain on the sale of oil and gas assets, partially offset by a $47.0 million loss on risk management contracts.
- The second quarter 2021 loss includes a $75.7 million loss on risk management contracts and a charge of $42.0 million related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value.
- The first quarter 2021 loss includes an $81.2 million loss on risk management contracts, a charge of $69.5 million mainly related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value and a $41.4 million gain on the sale of oil and gas assets.
- Fourth quarter 2020 earnings include aggregate impairment reversals of $333.7 million from previously recorded impairment charges of petroleum and natural gas assets and a deferred income tax recovery of $64.4 million, partially offset by a charge of $29.7 million related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value.
- The third quarter 2020 loss includes a recovery of $25.6 million related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value.

OTHER INFORMATION

Contingencies

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the three months ended June 30, 2022, there was no change in the Company's internal control over financial reporting ("ICFR") that materially affected, or is reasonably likely to materially affect, the Company's ICFR.

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

RISK FACTORS

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

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

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

PRODUCT TYPE INFORMATION

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

	2022		2021				2020		YTD	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	2022	2021
SALES VOLUMES – TOTAL COMPANY BY PRODUCT TYPE										
Shale gas (MMcf/d)	**203.7**	213.1	220.4	207.1	205.8	197.8	170.7	141.0	208.4	201.9
Conventional natural gas (MMcf/d)	**63.5**	59.8	64.4	62.6	67.3	75.3	85.6	83.0	61.7	71.2
Natural gas (MMcf/d)	**267.2**	272.9	284.8	269.7	273.1	273.1	256.3	224.0	270.1	273.1
Condensate (Bbl/d)	**25,374**	29,064	29,797	29,670	26,784	27,017	22,782	17,020	27,209	26,900
Other NGLs (Bbl/d)	**5,021**	5,276	5,462	5,017	4,938	5,170	4,987	3,952	5,148	5,054
NGLs (Bbl/d)	**30,395**	34,340	35,259	34,687	31,722	32,187	27,769	20,972	32,357	31,954
Tight oil (Bbl/d)	**402**	437	497	475	494	479	437	457	419	487
Light and medium crude oil (Bbl/d)	**1,974**	1,874	2,048	2,032	2,265	2,358	2,533	2,305	1,925	2,311
Crude oil (Bbl/d)	**2,376**	2,311	2,545	2,507	2,759	2,837	2,970	2,762	2,344	2,798
Total (Boe/d)	**77,312**	82,137	85,265	82,150	79,995	80,540	73,460	61,064	79,711	80,266

SALES VOLUMES – BY REGION BY PRODUCT TYPE										
GRANDE PRAIRIE REGION										
Shale gas (MMcf/d)	**138.8**	151.4	156.5	145.8	132.2	120.6	92.7	66.0	145.1	126.5
Conventional natural gas (MMcf/d)	**1.0**	1.1	2.4	2.2	2.1	2.0	1.6	1.3	1.0	2.0
Natural gas (MMcf/d)	**139.8**	152.5	158.9	148.0	134.3	122.6	94.3	67.3	146.1	128.5
Condensate (Bbl/d)	**22,511**	26,042	26,272	26,639	24,086	23,974	19,635	13,959	24,267	24,031
Other NGLs (Bbl/d)	**2,914**	3,267	3,276	3,274	2,874	2,984	2,429	2,060	3,089	2,928
NGLs (Bbl/d)	**25,425**	29,309	29,548	29,913	26,960	26,958	22,064	16,019	27,356	26,959
Tight oil (Bbl/d)	**–**	–	–	–	–	–	–	–	–	–
Light and medium crude oil (Bbl/d)	**5**	6	6	9	4	–	–	1	5	2
Crude oil (Bbl/d)	**5**	6	6	9	4	–	–	1	5	2
Total (Boe/d)	**48,736**	54,737	56,035	54,586	49,345	47,385	37,782	27,237	51,720	48,371
KAYBOB REGION										
Shale gas (MMcf/d)	**37.9**	35.7	35.6	36.9	39.3	42.1	41.9	40.4	36.8	40.7
Conventional natural gas (MMcf/d)	**56.7**	53.6	56.8	54.4	58.0	65.8	76.3	73.4	55.2	61.9
Natural gas (MMcf/d)	**94.6**	89.3	92.4	91.3	97.3	107.9	118.2	113.8	92.0	102.6
Condensate (Bbl/d)	**2,092**	2,130	2,184	2,072	2,319	2,611	2,631	2,577	2,111	2,464
Other NGLs (Bbl/d)	**1,585**	1,558	1,788	1,415	1,569	1,677	1,953	1,363	1,572	1,623
NGLs (Bbl/d)	**3,677**	3,688	3,972	3,487	3,888	4,288	4,584	3,940	3,683	4,087
Tight oil (Bbl/d)	**253**	322	355	368	354	342	299	308	286	349
Light and medium crude oil (Bbl/d)	**1,946**	1,832	2,000	1,979	2,224	2,321	2,480	2,257	1,890	2,272
Crude oil (Bbl/d)	**2,199**	2,154	2,355	2,347	2,578	2,663	2,779	2,565	2,176	2,621
Total (Boe/d)	**21,642**	20,726	21,725	21,054	22,688	24,938	27,056	25,477	21,186	23,807

	2022		2021				2020		YTD	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	2022	2021
CENTRAL ALBERTA AND OTHER REGION										
Shale gas (MMcf/d)	**27.0**	26.0	28.2	24.4	34.3	35.1	36.1	34.6	26.5	34.7
Conventional natural gas (MMcf/d)	**5.8**	5.1	5.3	6.0	7.2	7.5	7.7	8.3	5.5	7.3
Natural gas (MMcf/d)	**32.8**	31.1	33.5	30.4	41.5	42.6	43.8	42.9	32.0	42.0
Condensate (Bbl/d)	**771**	892	1,341	959	379	433	515	484	831	405
Other NGLs (Bbl/d)	**522**	451	398	328	495	509	605	529	487	503
NGLs (Bbl/d)	**1,293**	1,343	1,739	1,287	874	942	1,120	1,013	1,318	908
Tight oil (Bbl/d)	**149**	115	142	107	140	136	138	149	133	138
Light and medium crude oil (Bbl/d)	**23**	36	42	44	37	37	54	47	30	37
Crude oil (Bbl/d)	**172**	151	184	151	177	173	192	196	163	175
Total (Boe/d)	**6,934**	6,674	7,505	6,510	7,962	8,217	8,622	8,350	6,805	8,088

	2022		2021				2020		YTD	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	2022	2021
SALES VOLUMES – KARR BY PRODUCT TYPE										
Shale gas (MMcf/d)	**94.2**	112.8	122.5	113.0	106.3	89.1	69.6	48.6	103.5	97.7
Conventional natural gas (MMcf/d)	**0.4**	0.5	1.5	1.4	1.3	1.1	0.9	0.6	0.4	1.2
Natural gas (MMcf/d)	**94.6**	113.3	124.0	114.4	107.6	90.2	70.5	49.2	103.9	98.9
Condensate (Bbl/d)	**13,551**	17,246	18,521	18,328	18,458	16,095	13,348	9,541	15,388	17,283
Other NGLs (Bbl/d)	**1,978**	2,475	2,449	2,477	2,281	2,108	1,817	1,503	2,225	2,195
NGLs (Bbl/d)	**15,529**	19,721	20,970	20,805	20,739	18,203	15,165	11,044	17,613	19,478
Total (Boe/d)	**31,295**	38,611	41,629	39,878	38,679	33,230	26,914	19,246	34,933	35,969

SALES VOLUMES – WAPITI BY PRODUCT TYPE										
Shale gas (MMcf/d)	**44.6**	38.6	34.0	32.8	25.9	31.5	23.1	17.4	41.6	28.8
Conventional natural gas (MMcf/d)	**0.6**	0.6	0.9	0.8	0.8	0.9	0.7	0.7	0.6	0.8
Natural gas (MMcf/d)	**45.2**	39.2	34.9	33.6	26.7	32.4	23.8	18.1	42.2	29.6
Condensate (Bbl/d)	**8,960**	8,796	7,751	8,311	5,628	7,879	6,287	4,418	8,879	6,748
Other NGLs (Bbl/d)	**936**	792	827	797	593	876	612	557	864	733
NGLs (Bbl/d)	**9,896**	9,588	8,578	9,108	6,221	8,755	6,899	4,975	9,743	7,481
Tight oil (Bbl/d)	**–**	–	–	–	–	–	–	–	–	–
Light and medium crude oil (Bbl/d)	**5**	6	6	9	4	–	–	1	5	2
Crude oil (Bbl/d)	**5**	6	6	9	4	–	–	1	5	2
Total (Boe/d)	**17,441**	16,126	14,406	14,708	10,666	14,155	10,868	7,991	16,787	12,402

Second half 2022 sales volumes are expected to average between 102,000 Boe/d and 106,000 Boe/d (54% shale gas and conventional natural gas combined, 40% light and medium crude oil, tight oil and condensate combined and 6% other NGLs).

2022 annual sales volumes are expected to average between 91,000 Boe/d and 93,000 Boe/d (55% shale gas and conventional natural gas combined, 39% light and medium crude oil, tight oil and condensate combined and 6% other NGLs).

SPECIFIED FINANCIAL MEASURES

Non-GAAP Financial Measures

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

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

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

A calculation of netback and netback including risk management contract settlements for the three and six months ended June 30, 2022 and 2021 is provided in this MD&A under "Operating Results - Netback".

Non-GAAP Ratios

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

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

Capital Management Measures

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

A reconciliation of adjusted funds flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three and six month periods ended June 30, 2022 and 2021 is provided in this MD&A under "Consolidated Results – Adjusted Funds Flow".

A reconciliation of free cash flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three and six month periods ended June 30, 2022 and 2021 is provided in this MD&A under "Consolidated Results – Free Cash Flow".

A calculation of net debt as at June 30, 2022 and December 31, 2021 is provided in this MD&A under "Liquidity and Capital Resources". At June 30, 2022, Paramount's net debt to adjusted funds flow (determined on a trailing four quarter basis) was 0.5x (December 31, 2021 – 0.9x).

Supplementary Financial Measures

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

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

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

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

ADVISORIES

Forward-looking Information

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

- the expected closing of the Willesden Green acquisition and the expected timing thereof;
- the expected closing of the non-core asset disposition, the expected timing thereof and the expected impact of the disposition on annual operating expenses;
- planned capital expenditures in 2022;
- forecast sales volumes for 2022 and certain periods therein;
- forecast free cash flow in 2022;
- planned abandonment and reclamation expenditures and activities in 2022;
- the expectation that production volumes at Wapiti will reach the targeted plateau of 30,000 Boe/d by the end of 2022;
- preliminary anticipated capital expenditures in 2023 and the resulting expected 2023 average sales volumes and free cash flow;
- the Company's priorities and expectations respecting the allocation of free cash flow;
- the expectation that the Company will achieve its net debt target of about $300 million in the fall and potential net debt to adjusted funds flow at year-end;
- planned exploration, development and production activities, including the expected timing of drilling, completing and bringing new wells on production;
- the expectation that the Company will be able to fund budgeted capital expenditures and net abandonment and reclamation expenditures in 2022 with cash from operating activities;
- the anticipation that legal proceedings will not have a material impact on Paramount's financial position;
- the payment of future dividends under the Company's monthly dividend program; and
- the potential impacts of the COVID-19 pandemic.
- the potential impacts of the Russian invasion of Ukraine.

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

- future commodity prices;
- the impact of the COVID-19 pandemic on the Company;
- the impact of the Russian invasion of Ukraine on the Company;
- the ability to realize expected cost savings;
- 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 satisfaction of all closing conditions to the Willesden Green acquisition and the closing of the acquisition as anticipated;
- the satisfaction of all closing conditions to the non-core asset disposition and the closing of the disposition as anticipated;

- the ability of Paramount to obtain the required capital to finance its exploration, development and other operations and meet its commitments and financial obligations;
- the ability of Paramount to obtain equipment, materials, services and personnel in a timely manner and at an acceptable cost to carry out its activities;
- the ability of Paramount to secure adequate product processing, transportation, fractionation and storage capacity on acceptable terms and the capacity and reliability of facilities;
- the ability of Paramount to market its production successfully to current and new customers;
- the ability of Paramount and its industry partners to obtain drilling success (including in respect of anticipated production volumes, reserves additions, product yields and resource recoveries) and operational improvements, efficiencies and results consistent with expectations;
- the timely receipt of required governmental and regulatory approvals;
- the receipt of benefits under government programs;
- the application of regulatory requirements respecting abandonment and reclamation;
- the merits of outstanding and pending legal proceedings; and
- anticipated timelines and budgets being met in respect of drilling programs and other operations (including well completions and tie-ins, the construction, commissioning and start-up of new and expanded facilities, including third-party facilities, and facility turnarounds and maintenance).

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

- those risks set out in this MD&A under "Risk Factors";
- fluctuations in commodity prices;
- changes in capital spending plans and planned exploration and development activities;
- the potential for changes to preliminary anticipated 2023 capital expenditures prior to finalization and changes to the resulting expected 2023 average sales volumes and free cash flow;
- changes in foreign currency exchange rates, interest rates and the rate of inflation;
- the possibility of the Willesden Green acquisition not being completed on the terms anticipated or at all, including due to a closing condition not being satisfied;
- the possibility of the non-core asset disposition not being completed on the terms anticipated or at all, including due to a closing condition not being satisfied;
- the uncertainty of estimates and projections relating to future production, revenue, free cash flow, reserves additions, product yields (including condensate to natural gas ratios), resource recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate product processing, transportation, fractionation, and storage capacity on acceptable terms;
- operational risks in exploring for, developing, producing and transporting sales volumes, including the risk of spills, leaks or blowouts;
- the ability to obtain equipment, materials, services and personnel in a timely manner and at an acceptable cost, including the potential effects of inflation and supply chain disruptions;
- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities (including third-party facilities);
- processing, pipeline and fractionation infrastructure outages, disruptions and constraints;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves estimates;

- general business, economic and market conditions;
- the ability to generate sufficient cash from operating activities and obtain financing to fund planned exploration, development and operational activities and meet current and future commitments and obligations (including product processing, transportation, fractionation and similar commitments and obligations);
- changes in, or in the interpretation of, laws, regulations or policies (including environmental laws);
- the ability to obtain required governmental or regulatory approvals in a timely manner, and to enter into and maintain leases and licenses;
- the effects of weather and other factors including wildlife and environmental restrictions which affect field operations and access;
- uncertainties as to the timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- uncertainties regarding Indigenous claims and in maintaining relationships with local populations and other stakeholders;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities.

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

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risk Factors" in Paramount's annual information form for the year ended December 31, 2021, which is available on SEDAR at www.sedar.com. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, Paramount undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

Certain forward-looking information in this MD&A, including forecast free cash flow in 2022 and future periods, may also constitute a "financial outlook" within the meaning of applicable securities laws. A financial outlook involves statements about Paramount's prospective financial performance or position and is based on and subject to the assumptions and risk factors described above in respect of forward-looking information generally as well as any other specific assumptions and risk factors in relation to such financial outlook noted in this MD&A. Such assumptions are based on management's assessment of the relevant information currently available and any financial outlook included in this MD&A is provided for the purpose of helping readers understand Paramount's current expectations and plans for the future. Readers are cautioned that reliance on any financial outlook may not be appropriate for other purposes or in other circumstances and that the risk factors described above or other factors may cause actual results to differ materially from any financial outlook.

Oil and Gas Measures and Definitions

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

Abbreviations

Liquids	
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	Gigajoule
GJ/d	Gigajoule 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 six months ended June 30, 2022, the value ratio between crude oil and natural gas was approximately 25:1. 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.