



**Management's Discussion and Analysis**  
**For the three and nine months ended September 30, 2019**

This Management's Discussion and Analysis ("MD&A"), dated November 6, 2019 should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the three and nine months ended September 30, 2019 (the "Interim Financial Statements") and Paramount's audited Consolidated Financial Statements as at and for the year ended December 31, 2018 (the "Annual Financial Statements"). Financial information included in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and is stated in millions of Canadian dollars, unless otherwise noted. The Company's accounting policies have been applied consistently to all periods presented, except for changes as a result of adopting *IFRS 16 – Leases* ("IFRS 16") effective January 1, 2019, which are described in the Change in Accounting Policies section of this document. Paramount voluntarily changed its accounting policy with respect to the discounting of asset retirement obligations ("ARO") effective December 31, 2018 and, as a result, certain comparative information has been restated in this MD&A. Refer to the Annual Financial Statements for a description of the impact of the change in ARO accounting policy on the Company's financial statements.

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

## ABOUT PARAMOUNT

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

The Company's operations are organized into the following three regions:

- the Grande Prairie Region, located in the Peace River Arch area of Alberta, which is primarily focused on Montney developments at Karr and Wapiti;
- the Kaybob Region, located in west-central Alberta, which is primarily focused on Montney and Duvernay developments at Kaybob, Smoky, Pine Creek and Ante Creek; and
- the Central Alberta and Other Region, which includes Duvernay properties in southern Alberta at Willesden Green and the East Shale Basin, and lands and production in northern Alberta and British Columbia.

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

## FINANCIAL AND OPERATING HIGHLIGHTS <sup>(1)</sup>

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
<b>FINANCIAL</b>				
<b>Petroleum and natural gas sales</b>	<b>199.8</b>	248.5	<b>655.0</b>	758.0
<b>Net income (loss) <sup>(2)</sup></b>	<b>141.0</b>	(13.1)	<b>(56.7)</b>	(196.7)
<i>Per share – basic &amp; diluted (\$/share)</i>	<b>1.08</b>	(0.10)	<b>(0.44)</b>	(1.48)
<b>Cash from operating activities</b>	<b>48.6</b>	73.8	<b>185.2</b>	211.0
<i>Per share – basic &amp; diluted (\$/share)</i>	<b>0.37</b>	0.56	<b>1.42</b>	1.59
<b>Adjusted funds flow</b>	<b>50.9</b>	58.2	<b>205.5</b>	218.4
<i>Per share – basic &amp; diluted (\$/share)</i>	<b>0.39</b>	0.44	<b>1.58</b>	1.65
<b>Total assets <sup>(2)</sup></b>			<b>3,771.1</b>	4,374.1
<b>Long-term debt</b>			<b>720.9</b>	695.1
<b>Net debt</b>			<b>777.9</b>	797.3
<b>Common shares outstanding (thousands)</b>			<b>130,879</b>	130,994
<b>OPERATIONAL</b>				
<b>Sales volumes</b>				
Natural gas (MMcf/d)	<b>296.6</b>	303.8	<b>304.7</b>	329.5
Condensate and oil (Bbl/d)	<b>24,761</b>	22,868	<b>23,921</b>	24,016
Other NGLs (Bbl/d) <sup>(3)</sup>	<b>6,851</b>	6,963	<b>6,667</b>	7,496
<b>Total (Boe/d)</b>	<b>81,046</b>	80,471	<b>81,377</b>	86,429
<i>% Liquids</i>	<b>39%</b>	37%	<b>38%</b>	36%
<b>Realized prices</b>				
Natural gas revenue (\$/Mcf)	<b>1.58</b>	1.93	<b>2.23</b>	2.09
Condensate and oil revenue (\$/Bbl)	<b>65.73</b>	79.83	<b>66.64</b>	75.59
Other NGLs revenue (\$/Bbl) <sup>(3)</sup>	<b>9.78</b>	32.16	<b>16.04</b>	30.43
<b>Petroleum and natural gas sales (\$/Boe)</b>	<b>26.80</b>	33.57	<b>29.49</b>	32.13
<b>Property, plant and equipment and exploration expenditures</b>	<b>127.5</b>	135.0	<b>331.9</b>	452.7

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

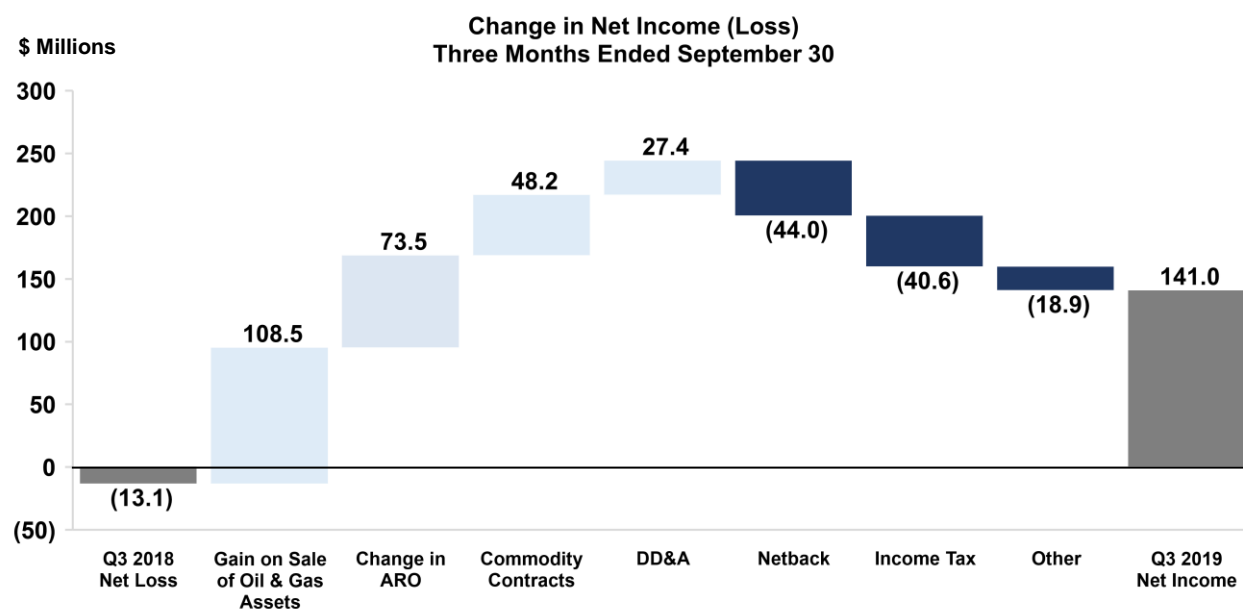
(2) 2018 restated, refer to Note 1 and 22 of the Annual Financial Statements.

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

## CONSOLIDATED RESULTS

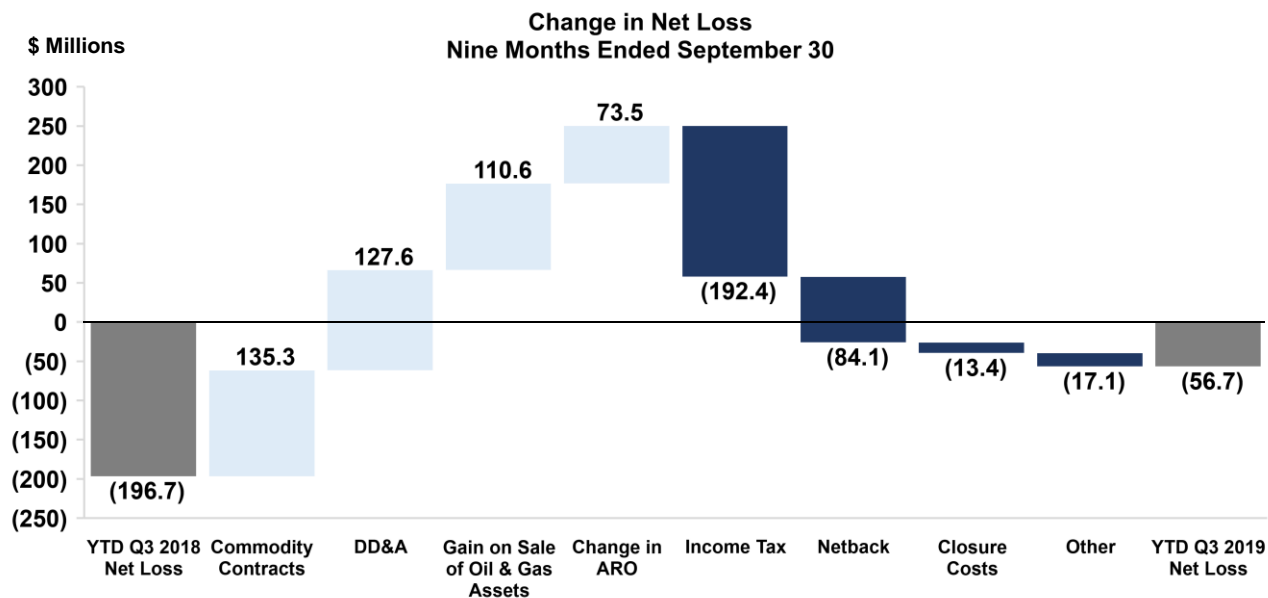
### Net Income (Loss)

Paramount recorded net income of \$141.0 million for the three months ended September 30, 2019 compared to a net loss of \$13.1 million in the same period in 2018, primarily as a result of higher gains on the sale of oil and gas assets, revisions to estimated asset retirement obligations, gains on commodity contracts and lower depletion and depreciation expense, partially offset by a lower netback and deferred income tax expense.



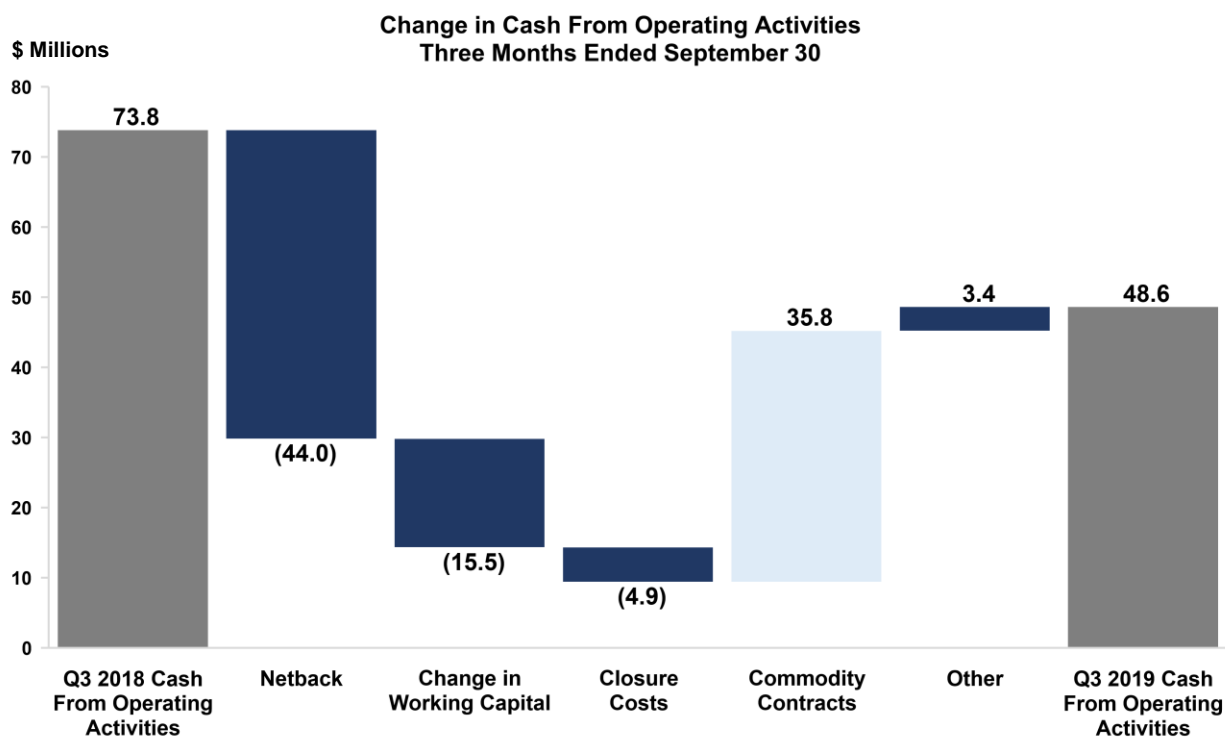
In the third quarter of 2019, Paramount closed the sale of its Karr 6-18 natural gas facility (the "6-18 Facility") and related midstream assets located in the Grande Prairie Region for net cash proceeds of \$327.6 million (the "Midstream Transaction"). The cash proceeds included the reimbursement of capital expenditures related to the expansion of the 6-18 Facility. In connection with the sale, the Company entered into a midstream services agreement that includes a fee-for-service arrangement and a take-or-pay volume commitment that ends approximately 20 years following the completion of an expansion to the facility, which is scheduled to be completed in 2020. A gain of \$153.7 million was recognized on the sale. Proceeds from the Midstream Transaction were used to reduce amounts drawn on Paramount's bank credit facility (the "Paramount Facility").

Paramount recorded a net loss of \$56.7 million for the nine months ended September 30, 2019 compared to a net loss of \$196.7 million in the same period in 2018, primarily as a result of a lower loss on commodity contracts, lower depletion and depreciation expense, higher gains on the sale of oil and gas assets and revisions to asset retirement obligations, partially offset by deferred income tax expense and a lower netback.

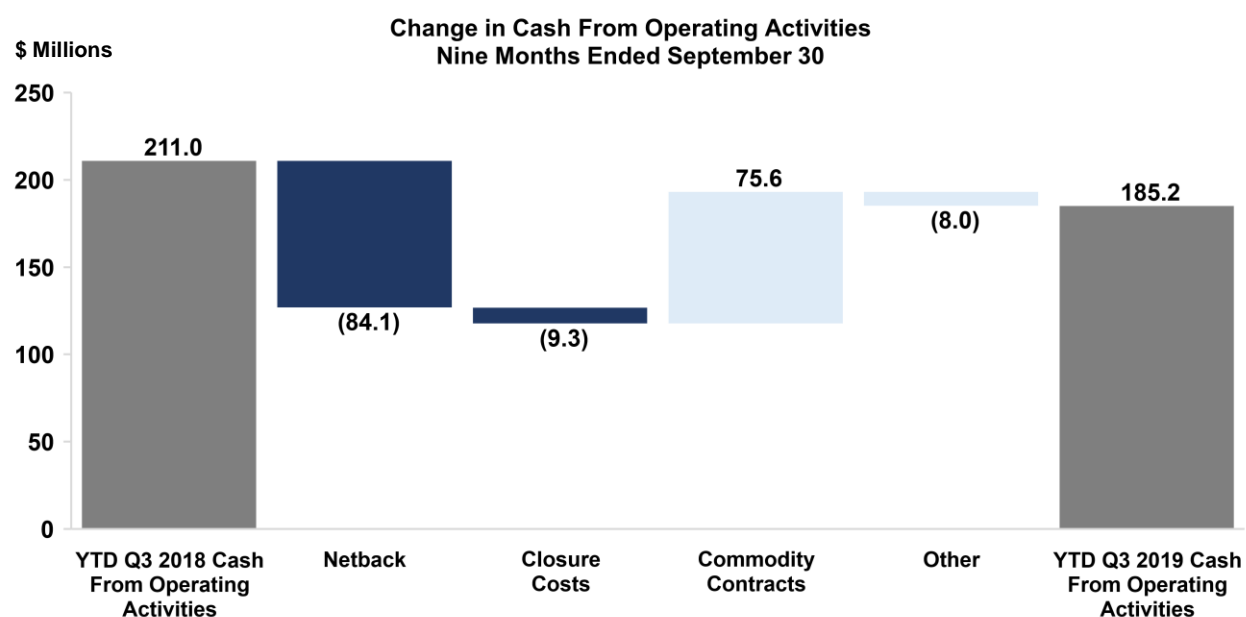


### Cash From Operating Activities

Cash from operating activities for the three months ended September 30, 2019 was \$48.6 million compared to \$73.8 million for the same period in 2018, primarily as a result of a lower netback and changes in non-cash working capital, partially offset by receipts from commodity contracts settlements in 2019.



Cash from operating activities for the nine months ended September 30, 2019 was \$185.2 million compared to \$211.0 million for the same period in 2018, primarily as a result of a lower netback, partially offset by receipts on commodity contract settlements in 2019.



### Adjusted Funds Flow <sup>(1)</sup>

The following table reconciles cash from operating activities to adjusted funds flow:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
<b>Cash from operating activities</b>	48.6	73.8	185.2	211.0
Change in non-cash working capital	(8.7)	(24.2)	(7.9)	(28.2)
Transaction and reorganization costs	–	0.3	–	4.5
Geological and geophysical expenses	2.5	2.3	7.5	10.6
Closure cost expenditures	4.9	–	9.3	–
Asset retirement obligations settled	3.6	6.0	11.4	20.5
<b>Adjusted funds flow</b>	<b>50.9</b>	58.2	<b>205.5</b>	218.4
<b>Adjusted funds flow (\$/Boe)</b>	<b>6.83</b>	7.86	<b>9.25</b>	9.26

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

Adjusted funds flow was \$50.9 million in the third quarter of 2019 compared to \$58.2 million in the third quarter of 2018. The decrease in adjusted funds flow was primarily due to a lower netback, partially offset by receipts on commodity contract settlements in 2019 compared to payments made in 2018.

Adjusted funds flow was \$205.5 million for the nine months ended September 2019 compared to \$218.4 million for the same period in 2018. The decrease in adjusted funds flow was primarily due to a lower netback, partially offset by receipts on commodity contract settlements in 2019 compared to payments made in 2018.

## OPERATING RESULTS

### Netback <sup>(1)</sup>

	Three months ended				Nine months ended			
	September 30				September 30			
	2019		2018		2019		2018	
	(\$/Boe) <sup>(2)</sup>		(\$/Boe) <sup>(2)</sup>		(\$/Boe) <sup>(2)</sup>		(\$/Boe) <sup>(2)</sup>	
Natural gas revenue	43.1	1.58	53.9	1.93	185.9	2.23	187.9	2.09
Condensate and oil revenue	149.7	65.73	168.0	79.83	435.2	66.64	495.6	75.59
Other NGLs revenue <sup>(3)</sup>	6.2	9.78	20.6	32.16	29.2	16.04	62.3	30.43
Royalty and sulphur revenue	0.8	–	6.0	–	4.7	–	12.2	–
<b>Petroleum and natural gas sales</b>	<b>199.8</b>	<b>26.80</b>	248.5	33.57	<b>655.0</b>	<b>29.49</b>	758.0	32.13
Royalties	(12.1)	(1.62)	(22.8)	(3.08)	(46.1)	(2.08)	(61.2)	(2.59)
Operating expense	(93.8)	(12.58)	(90.7)	(12.25)	(270.9)	(12.19)	(277.8)	(11.77)
Transportation and NGLs processing <sup>(4)</sup>	(25.7)	(3.45)	(22.8)	(3.08)	(71.9)	(3.24)	(68.8)	(2.92)
<b>Netback</b>	<b>68.2</b>	<b>9.15</b>	112.2	15.16	<b>266.1</b>	<b>11.98</b>	350.2	14.85
Commodity contract settlements	5.7	0.76	(30.1)	(4.06)	8.5	0.38	(67.1)	(2.85)
<b>Netback including commodity contract settlements</b>	<b>73.9</b>	<b>9.91</b>	82.1	11.10	<b>274.6</b>	<b>12.36</b>	283.1	12.00

(1) Readers are referred to the advisories concerning Non-GAAP measures in the Advisories section of this document.

(2) Natural gas revenue shown per Mcf.

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

(4) Includes downstream natural gas, NGLs and oil transportation costs and NGLs fractionation costs.

Petroleum and natural gas sales were \$199.8 million in the third quarter of 2019, a decrease of \$48.7 million from the third quarter of 2018. Petroleum and natural gas sales were \$655.0 million for the nine months ended September 30, 2019, a decrease of \$103.0 million compared to the same period in 2018. The decrease in petroleum and natural gas sales in the first nine months of 2019 was primarily due to lower liquids prices and lower sales volumes, including as a result of the sale of the Resthaven/Jayar properties in 2018, partially offset by higher natural gas prices. Other NGLs revenue decreased in 2019 primarily due to lower butane and propane prices.

The Resthaven/Jayar properties encompassed approximately 201 (152 net) sections of land, had sales volumes of approximately 5,000 Boe/d in the first half of 2018 and generated a netback of approximately \$10 million prior to being sold in the third quarter of 2018.

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

	Natural Gas	Condensate and Oil	Other NGLs	Royalty and Sulphur	Total
Three months ended September 30, 2018	53.9	168.0	20.6	6.0	248.5
Effect of changes in sales volumes	(1.3)	13.9	(0.3)	–	12.3
Effect of changes in prices	(9.5)	(32.2)	(14.1)	–	(55.8)
Change in royalty and sulphur revenue	–	–	–	(5.2)	(5.2)
<b>Three months ended September 30, 2019</b>	<b>43.1</b>	<b>149.7</b>	<b>6.2</b>	<b>0.8</b>	<b>199.8</b>

	Natural Gas	Condensate and Oil	Other NGLs	Royalty and Sulphur	Total
Nine months ended September 30, 2018	187.9	495.6	62.3	12.2	758.0
Effect of changes in sales volumes	(14.1)	(2.0)	(6.9)	–	(23.0)
Effect of changes in prices	12.1	(58.4)	(26.2)	–	(72.5)
Change in royalty and sulphur revenue	–	–	–	(7.5)	(7.5)
<b>Nine months ended September 30, 2019</b>	<b>185.9</b>	<b>435.2</b>	<b>29.2</b>	<b>4.7</b>	<b>655.0</b>

## Sales Volumes

	Three months ended September 30											
	Natural Gas (MMcf/d)			Condensate and Oil (Bbl/d)			Other NGLs (Bbl/d)			Total (Boe/d)		
	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change
Grande Prairie	72.1	61.0	18	14,330	10,142	41	1,587	1,142	39	27,927	21,446	30
Kaybob	144.2	154.9	(7)	8,130	9,203	(12)	2,450	2,429	1	34,615	37,454	(8)
Central Alberta & Other	80.3	87.9	(9)	2,301	3,523	(35)	2,814	3,392	(17)	18,504	21,571	(14)
<b>Total</b>	<b>296.6</b>	<b>303.8</b>	<b>(2)</b>	<b>24,761</b>	<b>22,868</b>	<b>8</b>	<b>6,851</b>	<b>6,963</b>	<b>(2)</b>	<b>81,046</b>	<b>80,471</b>	<b>1</b>

Sales volumes in the third quarter of 2019 averaged 81,046 Boe/d compared to 80,471 Boe/d in the third quarter of 2018. The increase in sales volumes in the third quarter was primarily due to higher sales volumes at Wapiti in the Grande Prairie Region and at Smoky Duvernay and South Duvernay in the Kaybob Region as a result of new wells being brought-on production. These increases were offset by lower production in the Kaybob and Central Alberta and Other Regions as a result of natural declines, scheduled maintenance outages at processing facilities, and the closure of the Zama and Hawkeye fields in the Central Alberta and Other Region. Third quarter 2019 production was also impacted by a scheduled processing facility outage which impacted Karr area production for 12 days in July.

Sales volumes at Wapiti increased to an average of 8,163 Boe/d in the third quarter of 2019 compared to 409 Boe/d in the third quarter of 2018. The Company commenced production at the Wapiti 9-3 pad in May 2019 and production levels increased throughout the third quarter as all eleven wells on the pad were started up. Production was intermittent as the commissioning of the new third-party Wapiti natural gas processing facility progressed.

Paramount is increasing its fourth quarter 2019 production guidance to between 87,000 Boe/d and 90,000 Boe/d.

	Nine months ended September 30											
	Natural Gas (MMcf/d)			Condensate and Oil (Bbl/d)			Other NGLs (Bbl/d)			Total (Boe/d)		
	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change	2019	2018	% Change
Grande Prairie	74.9	75.8	(1)	12,329	11,109	11	1,625	2,009	(19)	26,429	25,750	3
Kaybob	149.2	165.0	(10)	8,947	9,609	(7)	2,466	2,489	(1)	36,286	39,592	(8)
Central Alberta & Other	80.6	88.7	(9)	2,645	3,298	(20)	2,576	2,998	(14)	18,662	21,087	(11)
<b>Total</b>	<b>304.7</b>	<b>329.5</b>	<b>(8)</b>	<b>23,921</b>	<b>24,016</b>	<b>-</b>	<b>6,667</b>	<b>7,496</b>	<b>(11)</b>	<b>81,377</b>	<b>86,429</b>	<b>(6)</b>

Sales volumes decreased six percent to 81,377 Boe/d in the nine months ended September 30, 2019 compared to 86,429 Boe/d in the same period in 2018. The decrease was primarily due to lower production in the Kaybob Region as a result of natural declines, in the Grande Prairie Region due to the disposition of the Resthaven/Jayar properties and in the Central Alberta and Other Region due to the closure of the Zama and Hawkeye fields. These decreases were partially offset by higher sales volumes at Wapiti in the Grande Prairie Region and at Smoky Duvernay and South Duvernay in the Kaybob Region as a result of new wells being brought-on production.

Paramount permanently shut down its dry gas Hawkeye property in late-2018 and its Zama property in the first half of 2019 due to challenging economics. The Company has permanently shut-in approximately 2,100 Boe/d of uneconomic production since the fourth quarter of 2018.

## Commodity Prices

	Three months ended September 30			Nine months ended September 30		
	2019	2018	% Change	2019	2018	% Change
<b>Natural Gas</b>						
Paramount average realized price (\$/Mcf)	1.58	1.93	(18)	2.23	2.09	7
AECO daily spot (\$/GJ)	0.86	1.11	(23)	1.44	1.39	4
AECO monthly index (\$/GJ)	0.99	1.28	(23)	1.31	1.36	(4)
Dawn (\$/MMbtu)	2.83	3.81	(26)	3.29	3.75	(12)
NYMEX (US\$/MMbtu)	2.33	2.86	(19)	2.57	2.85	(10)
Malin – monthly index (US\$/MMbtu)	1.97	2.39	(18)	2.68	2.29	17
<b>Crude Oil</b>						
Paramount average realized condensate & oil price (\$/Bbl)	65.73	79.83	(18)	66.64	75.59	(12)
Edmonton Light Sweet (\$/Bbl)	69.26	75.64	(8)	69.58	74.52	(7)
West Texas Intermediate (US\$/Bbl)	56.47	69.46	(19)	57.04	66.74	(15)
<b>Foreign Exchange</b>						
\$CDN / 1 \$US	1.32	1.31	1	1.33	1.29	3

Paramount's natural gas portfolio consists of sales priced in the Alberta market and approximately 122,000 GJ/d of sales priced at the Dawn, US Midwest and Malin markets and is sold in a combination of daily and monthly contracts. Paramount continues to evaluate opportunities to further diversify its natural gas sales markets. The Company's average realized natural gas prices decreased in the third quarter of 2019 compared to the third quarter of 2018 mainly as a result of lower benchmark prices.

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

## Commodity Price Management

From time-to-time Paramount uses financial commodity contracts to manage exposure to commodity price volatility. As at September 30, 2019, the Company had the following financial commodity contracts in place:

Instruments	Aggregate notional	Average fixed price	Fair value	Remaining term
Oil – NYMEX WTI Swaps (Sale)	16,000 Bbl/d	CDN\$78.05/Bbl	10.0	October 2019 – December 2019
Oil – NYMEX WTI Calls (Sale)	2,000 Bbl/d	CDN\$82.00/Bbl <sup>(1)</sup>	0.5	October 2019 – December 2019
Oil – NYMEX WTI Swaps (Sale)	4,000 Bbl/d	CDN\$80.11/Bbl	17.4	January 2020 – December 2020
Other			0.1	
			28.0	

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

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

	Nine months ended September 30, 2019	Twelve months ended December 31, 2018
Fair value, beginning of period	64.4	(19.1)
Changes in fair value	(27.9)	7.0
Settlements paid (received)	(8.5)	76.5
<b>Fair value, end of period</b>	<b>28.0</b>	64.4

In October 2019, the Company entered into AECO fixed-price physical contracts to sell 40,000 GJ/d of natural gas at a price of \$2.34/GJ from December 2019 to March 2020 and 60,000 GJ/d of natural gas at a price of \$1.56/GJ from April 2020 to October 2020.

### Royalties

	Three months ended September 30				Nine months ended September 30			
	2019	Rate	2018	Rate	2019	Rate	2018	Rate
Royalties	12.1	6.1%	22.8	9.4%	46.1	7.1%	61.2	8.2%
<i>\$/Boe</i>	1.62		3.08		2.08		2.59	

Third quarter royalties decreased to \$12.1 million in 2019 compared to \$22.8 million in the same period in 2018. Royalties for the nine months ended September 30, 2019 were \$46.1 million compared to \$61.2 million in the first nine months of 2018. Royalties decreased in 2019 primarily as a result of lower liquids prices and lower production, partially offset by higher royalties at Karr and Wapiti in the Grande Prairie Region.

### Operating Expense

	Three months ended September 30			Nine months ended September 30		
	2019	2018	% Change	2019	2018	% Change
Operating expense	93.8	90.7	3	270.9	277.8	(2)
<i>\$/Boe</i>	12.58	12.25	3	12.19	11.77	4

Operating expense increased \$3.1 million to \$93.8 million in the third quarter of 2019 compared to \$90.7 million in the same period in 2018. Operating expense was \$270.9 million in the nine months ended September 30, 2019 compared to \$277.8 million in the same period in 2018. The decrease in operating expenses for the nine months ended September 30, 2019 is primarily due to lower operating costs in the Central Alberta and Other and Kaybob Regions as a result of lower well workover and maintenance activity and the closure of the Zama field. Operating costs in the Grande Prairie Region were also reduced as a result of the disposition of the Resthaven/Jayar properties in the third quarter of 2018. These decreases were partially offset by higher operating costs at Wapiti related to new production and incremental natural gas processing fees at Karr following the Midstream Transaction.

### Transportation and NGLs Processing

	Three months ended September 30			Nine months ended September 30		
	2019	2018	% Change	2019	2018	% Change
Transportation and NGLs processing	25.7	22.8	13	71.9	68.8	5
<i>\$/Boe</i>	3.45	3.08	12	3.24	2.92	11

Transportation and NGLs processing was \$25.7 million and \$71.9 million for the three and nine months ended September 30, 2019, respectively, compared to \$22.8 million and \$68.8 million for the corresponding periods in 2018. Transportation and NGLs processing costs increased in 2019 as a result of new production at Wapiti and higher contracted NGLs fractionation and transportation capacity, partially offset by lower transportation costs in the Grande Prairie Region as a result of the Resthaven/Jayar disposition in the third quarter of 2018.

## Other Operating Items

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Depletion and depreciation <sup>(1)</sup>	(83.3)	(110.7)	(248.7)	(376.3)
Gain on sale of oil and gas assets <sup>(1)</sup>	157.3	48.8	165.0	54.4
Exploration and evaluation expense	(10.3)	(2.9)	(18.0)	(15.4)

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

Depletion and depreciation expense was \$83.3 million and \$248.7 million for the three and nine months ended September 30, 2019, respectively, compared to \$110.7 million and \$376.3 million for the corresponding periods in 2019. The decrease in depletion and depreciation expense was primarily due to the modification of the Company's depletion methodology in the fourth quarter of 2018.

The gain on sale of \$157.3 million for the three months ended September 30, 2019 mainly relates to the Midstream Transaction. In July 2018, Paramount sold its oil and gas properties and related infrastructure at Resthaven/Jayar in the Grande Prairie Region for gross proceeds of \$340 million, resulting in the recognition of a gain on sale of \$47.5 million. Total consideration included \$170 million in cash, 85 million common shares of Strath Resources Ltd. ("Strath") and 8.5 million warrants to acquire Strath common shares at an exercise price of \$2.00 per share.

## INVESTMENTS IN SECURITIES

As at	September 30 2019	December 31 2018
Level one fair value hierarchy securities	87.0	36.0
Level three fair value hierarchy securities	68.8	195.7
	155.8	231.7

Investments that are categorized as level one fair value hierarchy securities are carried at their period-end value based on the trading prices of the security quoted in an active market. Estimates of fair value for investments that are categorized as level three fair value hierarchy securities are based on valuation techniques that incorporate unobservable inputs. The valuation techniques utilize market-based metrics of comparable companies and transactions, indications of value based on equity transactions of the entities and other indicators of value. Fair value estimates of level three fair value hierarchy securities are updated at each balance sheet date to confirm whether the carrying value of each investment continues to fall within a range of possible fair values indicated by such techniques. At September 30, 2019, the Company recorded a \$118.1 million charge to other comprehensive income as a result of updates to fair value range estimates for level three fair value hierarchy securities. Other expense for the nine months ended September 30, 2019 includes \$8.8 million related to the estimated change in fair value of Strath Resources Ltd. warrants.

## CORPORATE

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
General and administrative	(12.8)	(11.2)	(40.0)	(41.8)
Share-based compensation	(6.8)	(5.5)	(14.3)	(16.9)
Interest and financing	(9.7)	(6.7)	(30.0)	(22.3)
Accretion of asset retirement obligations <sup>(1)</sup>	(15.1)	(14.5)	(44.5)	(43.2)
Change in asset retirement obligations	73.5	–	73.5	–
Closure costs	–	–	(13.4)	–
Deferred income tax (expense) recovery <sup>(1)</sup>	(27.0)	13.6	(115.1)	77.3

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

Share-based compensation expense in 2019 includes \$3.1 million related to 2.0 million options cancelled in the third quarter of 2019. Interest and financing expense was \$30.0 million in the nine months ended September 30, 2019, an increase of \$7.7 million compared to the same period in 2018, as a result of higher average debt balances in 2019 prior to the Midstream Transaction.

In the third quarter of 2019, the Company recorded a recovery of \$73.5 million 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 the property, plant and equipment of such properties as at September 30, 2019. The changes resulted from revisions to the estimated costs and timing of retirement.

The Company commenced its first area-based closure ("ABC") abandonment and reclamation project in the third quarter at Hawkeye. Economies of scale gained under the ABC approach have resulted in significantly lower costs than prior estimates. Paramount will continue to optimize its abandonment and reclamation activities based on the actual experience and knowledge gained from this and other projects and pursue additional opportunities to further reduce costs on an on-going basis. The Company's undiscounted estimated asset retirement obligation was revised from \$1.79 billion as at December 31, 2018 to \$1.65 billion as at September 30, 2019, and from \$807.9 million to \$749.1 million on a discounted basis.

In early 2019, Paramount made the decision to cease production operations at the Zama field in northern Alberta, which is included in the Central Alberta and Other Region. Sales volumes at Zama averaged approximately 1,200 Boe/d in the fourth quarter of 2018. The closure program will continue into 2020 to permanently suspend all facilities and over 2,000 kilometers of pipelines. The closure of Zama is expected to reduce the Company's total operating expenses by approximately \$27 million per year. The Company recognized a provision of \$13.4 million in the first quarter of 2019 in respect of the expected costs of the Zama closure program and has incurred \$9.3 million in closure costs for the nine months ended September 30, 2019.

Deferred income tax expense for the nine months ended September 30, 2019 included \$100.6 million related to a reduction in Alberta income tax rates.

## PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION EXPENDITURES

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
<b>Base capital</b> <sup>(1)</sup>				
Grande Prairie Region	106.6	70.2	196.0	216.4
Kaybob Region	5.4	33.6	62.0	172.5
Central Alberta and Other Region	1.1	16.8	7.0	33.5
<b>Total base capital</b>	<b>113.1</b>	120.6	<b>265.0</b>	422.4
Karr 6-18 Facility expansion	—	10.4	45.5	12.0
Corporate	12.5	2.4	15.2	8.3
<b>Total capital additions</b>	<b>125.6</b>	133.4	<b>325.7</b>	442.7
Land and property acquisitions	1.9	1.6	6.2	10.0
	<b>127.5</b>	135.0	<b>331.9</b>	452.7

(1) Readers are referred to the advisories concerning Non-GAAP measures in the Advisories section of this document.

Base capital expenditures totaled \$113.1 million in the third quarter of 2019 compared to \$120.6 million in the same period in 2018. Base capital expenditures were \$265.0 million for the nine months ended September 30, 2019 compared to \$422.4 million in the same period in 2018. Expenditures for the nine months ended September 30, 2019 mainly related to drilling and completion programs in the Grande Prairie and Kaybob Regions.

In the Grande Prairie Region, development activities for the nine months ended September 30, 2019 focused on completion operations at Wapiti for 12 (12.0 net) wells on the 5-3 pad, three of which were brought-on production through inline test facilities in late-September. Three additional wells were started-up on the 5-3 pad in October. The remaining wells are also scheduled to flowback on a rotational basis to recover completion fluids and prepare for the installation of permanent surface facilities. Grande Prairie Region activities also included completion operations at Karr for 5 (5.0 net) Montney wells on the 4-24 pad, which were brought-on production in late-September. The Company drilled 3 (3.0 net) new Montney wells on the Karr 1-19 pad, which are scheduled to be completed and brought on-stream late in the fourth quarter. Paramount incurred \$45.5 million in 2019 related to the 6-18 Facility expansion, which was not included in the Company's \$350 million base capital budget. The cash proceeds from the Midstream Transaction included the reimbursement of capital expenditures related to the 6-18 Facility expansion.

In the Kaybob Region, 5 (2.5 net) new wells on the 2-28 pad at Kaybob South Duvernay were drilled between June 2018 and January 2019 and completed in the spring of 2019. These wells were tied-in and brought-on production in June 2019. At the Montney Oil development, 4 (4.0 net) new wells have been brought-on production in 2019. The 2019 Kaybob Region drilling program also included an initial appraisal well at the Ante Creek Montney property, which was brought-on production in September.

In the Central Alberta and Other Region, the Company participated in one (0.5 net) well at Birch in northeast British Columbia, which was completed and brought-on production in the second quarter of 2019.

Capital expenditures for the 2019 capital programs at Wapiti and Central Alberta and Other Region are lower than originally budgeted. As a result of capital efficiencies realized to date in the 2019 program, the Company has accelerated drilling operations for 10 (10.0 net) Montney wells at Karr into the fourth quarter of 2019 that were originally scheduled for 2020, while maintaining its 2019 base capital budget at \$350 million.

## LIQUIDITY AND CAPITAL RESOURCES

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

As at	September 30, 2019	December 31, 2018
Cash and cash equivalents	(11.1)	(19.3)
Accounts receivable	(91.9)	(121.3)
Prepaid expenses and other	(16.4)	(9.6)
Accounts payable and accrued liabilities	176.4	231.2
Adjusted working capital deficit <sup>(1)</sup>	57.0	81.0
Paramount Facility	720.9	815.0
<b>Net Debt</b> <sup>(2)</sup>	<b>777.9</b>	<b>896.0</b>
Share capital	2,184.8	2,184.6
Retained earnings (accumulated deficit)	(35.5)	21.2
Reserves	(78.5)	44.7
<b>Total Capital</b>	<b>2,848.7</b>	<b>3,146.5</b>

(1) Adjusted working capital excludes risk management assets and liabilities, current accounts receivable amounts relating to subleases (September 30, 2019 - \$2.1 million, December 31, 2018 - nil) and the current portion of asset retirement obligations and lease liabilities and other.

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

The change in net debt for the nine months ended September 30, 2019 is primarily due to proceeds from the Midstream Transaction and cash flows from operations, partially offset by capital expenditures. Paramount expects to fund its 2019 operations, obligations and capital expenditures with cash flows from operations and available capacity under its bank credit facility.

### Paramount Facility

The Company has a \$1.5 billion financial covenant-based senior secured revolving bank credit facility. The maturity date of the Paramount Facility is currently November 16, 2022, which may be extended from time-to-time at the option of Paramount and with the agreement of the lenders. As at September 30, 2019, \$8.2 million of undrawn letters of credit were outstanding under the Paramount Facility that reduce the amount available to be drawn.

### Unsecured Letter of Credit Facility

During the third quarter, Paramount entered into a new \$40 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 from Export Development Canada. As at September 30, 2019, \$27.7 million of undrawn letters of credit were outstanding under the LC Facility.

## Interest Rate Swaps

The Company had the following floating-to-fixed interest rate swaps in place as at September 30, 2019:

Contract type	Aggregate notional	Maturity date	Fixed contract rate	Reference	Fair value
Interest Rate Swap	\$250 million	January 2023	2.3%	CDOR <sup>(1)</sup>	(4.6)
Interest Rate Swap	\$250 million	January 2026	2.4%	CDOR <sup>(1)</sup>	(11.1)
					(15.7)

(1) Canadian Dollar Offered Rate.

In the first quarter of 2019, Paramount entered into interest rate swap contracts to manage the uncertainty of variable interest rates by fixing the variable component of a portion of the interest on the Company's long-term debt. The Company classified these arrangements as cash flow hedges and has applied hedge accounting. As at September 30, 2019, there were no changes to the critical terms of the hedging relationship and no hedge ineffectiveness was identified.

## Share Capital

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

Paramount may purchase up to 7,110,667 Common Shares under the 2019 NCIB. Pursuant to the rules of the TSX, the maximum number of Common Shares that the Company may purchase under the 2019 NCIB in any one day is 96,491 Common Shares. Paramount may also make one block purchase per calendar week which exceeds such daily purchase restriction, subject to the rules of the TSX. Any Common Shares purchased pursuant to the 2019 NCIB will be cancelled by the Company. To October 31, 2019, the Company has purchased and cancelled 2.6 million Common Shares under the 2019 NCIB at a total cost of \$14.4 million. These purchases were mainly funded by the disposition of a portion of the Company's investment in MEG Energy Corp. Any shareholder may obtain, for no charge, a copy of the notice in respect of the 2019 NCIB filed with the TSX by contacting the Company at 403-290-3600.

As at October 31, 2019, Paramount had 127,430,559 Common Shares outstanding (net of 859,659 Common Shares held in trust under the Company's restricted share unit plan) and 9,736,853 options to acquire Common Shares outstanding, of which 4,493,473 options are exercisable.

## QUARTERLY INFORMATION

	2019			2018				2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Petroleum and natural gas sales</b>	<b>199.8</b>	209.2	246.1	207.4	248.5	239.7	269.8	258.9
<b>Net income (loss) <sup>(1)</sup></b>	<b>141.0</b>	(121.0)	(76.7)	(170.5)	(13.1)	(119.0)	(64.6)	(103.2)
<i>Per share – basic &amp; diluted (\$/share)</i>	<b>1.08</b>	(0.93)	(0.59)	(1.31)	(0.10)	(0.90)	(0.48)	(0.76)
<b>Cash from operating activities</b>	<b>48.6</b>	48.1	88.5	12.4	73.8	52.0	85.2	43.4
<i>per share – basic &amp; diluted (\$/share)</i>	<b>0.37</b>	0.37	0.68	0.10	0.56	0.39	0.64	0.32
<b>Adjusted funds flow</b>	<b>50.9</b>	54.2	100.5	45.5	58.2	62.6	97.6	110.1
<i>Per share – basic &amp; diluted (\$/share)</i>	<b>0.39</b>	0.41	0.77	0.35	0.44	0.47	0.73	0.82
<b>Sales volumes</b>								
Natural gas (MMcf/d)	<b>296.6</b>	309.7	308.0	315.2	303.8	334.1	351.1	359.9
Condensate and oil (Bbl/d)	<b>24,761</b>	23,312	23,679	24,898	22,868	23,815	25,391	26,285
Other NGLs (Bbl/d)	<b>6,851</b>	6,859	6,284	7,059	6,963	7,242	8,298	9,149
Total (Boe/d)	<b>81,046</b>	81,793	81,296	85,495	80,471	86,741	92,203	95,412
<b>Average realized price</b>								
Natural gas (\$/Mcf)	<b>1.58</b>	1.76	3.37	2.73	1.93	1.71	2.59	2.11
Condensate and oil (\$/Bbl)	<b>65.73</b>	71.02	63.26	45.54	79.83	77.25	70.10	66.65
Other NGLs (\$/Bbl)	<b>9.78</b>	11.01	28.55	31.39	32.16	27.35	31.68	30.15
Total (\$/Boe)	<b>26.80</b>	28.10	33.63	26.68	33.57	30.37	32.51	29.49

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

### Significant Items Impacting Quarterly Results

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

- Third quarter 2019 earnings include a \$157.3 million gain on the sale of oil and gas assets, primarily related to the Midstream Transaction.
- The second quarter 2019 loss includes \$102.1 million of deferred income tax expense, primarily related to a reduction in Alberta income tax rates and a \$27.6 million gain on financial commodity contracts.
- The first quarter 2019 loss includes a \$72.6 million loss on financial commodity contracts.
- The fourth quarter 2018 loss includes a \$502.5 million impairment of petroleum and natural gas assets, partially offset by a \$170.3 million gain on financial commodity contracts.
- The third quarter 2018 loss includes a \$48.8 million gain on the sale of oil and gas assets, primarily related to the sale of the Resthaven/Jayar properties, and a \$31.1 million loss on commodity contracts.
- The second quarter 2018 loss includes an \$84.6 million loss on financial commodity contracts.
- The first quarter 2018 loss includes a \$47.6 million loss on financial commodity contracts.
- The fourth quarter 2017 loss includes a \$184.6 million impairment related to the Company's Shale Gas Project, a \$182.9 million gain related to the Apache Canada Ltd. acquisition and \$121.7 million of aggregate impairment of property, plant and equipment.

## OTHER INFORMATION

### Contractual Obligations

Paramount had the following contractual obligations at September 30, 2019:

	Within 1 year	After one year but not more than three years	After three years but not more than five years	More than five years	Total
Paramount Facility <sup>(1)</sup>	–	–	720.9	–	<b>720.9</b>
Transportation and processing commitments <sup>(2)</sup>	222.5	499.3	449.9	1,410.4	<b>2,582.1</b>
Finance lease and other commitments <sup>(3)</sup>	13.5	23.2	3.6	0.1	<b>40.4</b>
	<b>236.0</b>	<b>522.5</b>	<b>1,174.4</b>	<b>1,410.5</b>	<b>3,343.4</b>

(1) Excluding interest.

(2) Certain of the transportation and processing commitments are secured by outstanding letters of credit totaling \$10.3 million at September 30, 2019 (December 31, 2018 - \$1.3 million).

(3) Undiscounted finance lease payments in respect of office and vehicle commitments have been reduced by sublease revenue amounts receivable.

Transportation and processing commitments mainly relate to long-term firm service arrangements for the processing and transportation of natural gas and liquids.

### Contingencies

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

In 2016, a release occurred from a non-operated pipeline in which the Company owned a 50 percent interest. The operator, and owner of the remaining 50 percent, initiated response, containment and remediation activities ("Response Activities"). Total costs to complete the Response Activities are estimated at approximately \$50 million. Arbitration proceedings have been commenced against the Company and the hearing is scheduled for the third quarter of 2020. It is Paramount's assessment that it is not responsible for the costs of the Response Activities and as a result, no provision has been recorded in the Company's financial statements.

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

## CHANGE IN ACCOUNTING POLICIES

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

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

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

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

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

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

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

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the three months ended September 30, 2019, there was no change in the Company's internal control over financial reporting ("ICFR") that materially affected, or is reasonably likely to materially affect, the Company's ICFR.

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

## ADVISORIES

### Forward-looking Information

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

- expected average sales volumes for the fourth quarter of 2019;
- the scheduled completion of the Zama closure program and the anticipated reduction in future operating costs;
- planned exploration, development and production activities, including the anticipated timing of bringing new wells on production;
- the timing of completion of the 6-18 Facility expansion;
- budgeted capital expenditures and the maintenance of the 2019 base capital budget at \$350 million;
- expected funding sources for 2019 operations, obligations and capital expenditures;
- the anticipation that legal proceedings will not have a material impact on Paramount's financial position; and
- Paramount's assessment that it is not responsible for the costs of the Response Activities associated with the 2016 non-operated pipeline release.

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

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

Although Paramount believes that the expectations reflected in such forward-looking information is reasonable, undue reliance should not be placed on them as Paramount can give no assurance that such expectations will prove to be correct. Forward-looking information is based on expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ

materially from those anticipated by Paramount and described in the forward-looking information. The material risks and uncertainties include, but are not limited to:

- fluctuations in natural gas and liquids prices;
- changes in foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future revenue, future production, reserve additions, liquids yields (including condensate to natural gas ratios), resource recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate product processing, transportation, de-ethanization, fractionation, and storage capacity on acceptable terms;
- operational risks in exploring for, developing and producing, natural gas and liquids;
- the ability to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost;
- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities (including third-party facilities);
- processing, pipeline, de-ethanization, and fractionation infrastructure outages, disruptions and constraints;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves and resources estimates;
- general business, economic and market conditions;
- the ability to generate sufficient cash flow from operations and obtain financing to fund planned exploration, development and operational activities and meet current and future commitments and obligations (including product processing, transportation, de-ethanization, fractionation and similar commitments and obligations);
- changes in, or in the interpretation of, laws, regulations or policies (including environmental laws);
- the ability to obtain required governmental or regulatory approvals in a timely manner, and to enter into and maintain leases and licenses;
- the effects of weather and other factors including wildlife and environmental restrictions which affect field operations and access;
- the timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- uncertainties regarding aboriginal claims and in maintaining relationships with local populations and other stakeholders;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities.

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risk Factors" in Paramount's annual information form for the year ended December 31, 2018 which is available on SEDAR at [www.sedar.com](http://www.sedar.com). The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, Paramount undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

### **Non-GAAP Measures**

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

**Adjusted funds flow** refers to cash from operating activities before net changes in operating non-cash working capital, geological and geophysical expenses, asset retirement obligation settlements, closure cost expenditures and transaction and reorganization costs. Adjusted funds flow is used to assist management

and investors in measuring the Company's ability to fund capital programs and meet financial obligations, including the settlement of asset retirement obligations. Asset retirement settlements are excluded from the calculation of adjusted funds flow because such expenditures are not directly linked to the revenue generating activities of the Company. Paramount manages the timing of expenditures related to asset retirement obligation settlements in accordance with regulatory requirements and its overall approach to settling its asset retirement obligations and, as a result, amounts incurred may vary from period to period. Adjusted funds flow is not intended to represent cash from operating activities, net loss or any other GAAP measure and should not be construed as being an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS. Refer to the Consolidated Results section of this MD&A for the calculation thereof. **Netback** equals petroleum and natural gas sales less royalties, operating costs and transportation and NGLs processing costs. Netback is commonly used by management and investors to compare the results of the Company's oil and gas operations between periods. Refer to the Operating Results section of this MD&A for the calculation thereof. **Net Debt** is a measure of the Company's overall debt position after adjusting for certain working capital and other amounts and is used by management to assess the Company's overall leverage position. Refer to the Liquidity and Capital Resources section of this MD&A for the calculation of Net Debt and **Adjusted working capital**. **Base capital** consists of the Company's spending on wells, infrastructure projects, and other property, plant and equipment and exploration and evaluation assets and excludes spending related to the expansion of the 6-18 Facility prior to its sale, land and property acquisitions and corporate assets. The base capital measure provides management and investors with information regarding the Company's capital spending on wells and infrastructure projects separate from land and property acquisition activity and corporate expenditures. Refer to the Property, Plant and Equipment and Exploration Expenditures section of this MD&A for the calculation thereof.

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

## Oil and Gas Measures and Definitions

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

### Abbreviations

<b>Liquids</b>		<b>Natural Gas</b>	
Bbl	Barrels	Mcf	Thousands of cubic feet
Bbl/d	Barrels per day	MMcf	Millions of cubic feet
NGLs	Natural gas liquids	MMcf/d	Millions of cubic feet per day
Condensate	Pentane and heavier hydrocarbons	GJ	Gigajoule
		GJ/d	Gigajoules per day
		MMbtu	Millions of British thermal units
		AECO	AECO-C reference price
		NYMEX	New York Mercantile Exchange
<b>Oil Equivalent</b>			
Boe	Barrels of oil equivalent		
Boe/d	Barrels of oil equivalent per day		

This MD&A contains disclosures expressed as "Boe", "\$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the nine months ended September 30, 2019, the value ratio between crude oil and natural gas was approximately 53:1. 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.