First Quarter 2020 Results

Paramount Resources Ltd. Reports First Quarter 2020 Results

Calgary, Alberta – May 13, 2020

HIGHLIGHTS

- Sales volumes averaged 70,022 Boe/d (38 percent liquids) in the first quarter of 2020.(1)
- Production in the first quarter of 2020 was impacted by three separate outages (two unscheduled, one scheduled) at a third-party processing facility in the Wapiti area. This amounted to approximately one full month of downtime or the equivalent of approximately 4,300 Boe/d of high netback production for the quarter. Severe cold weather in January also impacted production in both the Grande Prairie and Kaybob Regions. Production in the Central and Other Region was approximately 6,200 Boe/d lower in the first quarter as a result of the sale of certain assets in the fourth quarter of 2019.
- Paramount's netback was $44.5 million in the first quarter of 2020 compared to $114.9 million in the fourth quarter of 2019 mainly due to lower commodity prices and production. (2)
- Cash from operating activities was $30.5 million in the first quarter of 2020. Adjusted funds flow was $33.5 million or $0.25 per share.(2)
- At Karr, drilling operations were concluded in the first quarter on the remaining wells from the five-well 12-18 pad first spud in the fourth quarter of 2019. An additional five-well pad at 5-16 was spud part way through the first quarter. Completion operations on the 12-18 pad are now finished, with total lease construction, drilling, completion, equip and tie-in (collectively, "DCET") costs estimated at a pacesetting $9.5 million per well. This compares with historic type well DCET costs of $12.3 million per well in Karr.
- Two new water disposal wells were brought into service towards the end of the first quarter of 2020 at Karr. These wells will reduce operating costs associated with water trucking and disposal and are expected to meet Karr area development needs for the foreseeable future.
- At Wapiti, drilling operations commenced on the five-well 5-3 West pad and two wells on the eight-well 6-4 pad were drilled in the first quarter of 2020. In response to current market conditions, Paramount elected to defer the drilling of the remaining six wells on the 6-4 pad.
- Abandonment and reclamation projects at Hawkeye and Zama under the area-based closure ("ABC") program continued in the first quarter of 2020, with the Company abandoning 224 wells between the two properties, including all remaining operated wells in the Hawkeye area. An additional 24 wells were abandoned in other areas for a total of 248 well abandonments in the first quarter of 2020 at a total cost of $30.3 million. Paramount's abandonment and reclamation activities for the year are budgeted at $33 million and are now largely complete.

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(1) See "Oil and Gas Measures and Definitions" in the Advisories section.
(2) "Netback" and "Adjusted funds flow" are Non-GAAP measures. See "Non-GAAP Measures" in the Advisories section.

- First quarter capital spending totaled $63.8 million, primarily related to drilling activities at Karr and Wapiti. Capital expenditures were lower than expected as a result of both lower costs and improved efficiencies.

CORPORATE

- Paramount has implemented a corporate pandemic response plan aimed at ensuring the health and safety of its staff and contractors and the people they come in contact with. Under the plan, Paramount staff are working remotely other than in situations where physical workplace attendance is essential. Paramount has taken action to ensure its field operations are being conducted in compliance with public health requirements and guidelines, including by providing additional personal protective equipment and restricting access to its work sites to critical personnel.
- The Company has moved aggressively to further reduce its cost structure in response to the recent significant decline in liquids prices:
    - Paramount has revised its 2020 capital guidance to $165 million. This revised guidance reflects expected cost reductions at planned activity levels generally unchanged from the low end of previous capital guidance of $185 million.
    - Measures to reduce operating costs, including securing lower contractor and supplier rates, are expected to result in total savings of approximately $25 million over the final three quarters of 2020.
    - Workforce reductions, a 20 percent reduction in the salary of the Chief Executive Officer and in the cash compensation of the Board of Directors, a 10 percent reduction in the salaries of all other staff and the suspension or elimination of a number of benefits and incentive compensation programs are expected, when combined with previous initiatives, to reduce 2020 general and administrative costs by approximately $15 million.
    - Paramount has temporarily shut-in approximately 6,600 Boe/d of production at various properties and will adjust shut-in levels as required to maximize the economics of its production base.
- The Company has also entered into incremental 2020 and 2021 natural gas hedges and near-term liquids hedges to mitigate volatility and protect cash flows. See below under "Hedging".
- Given the significant ongoing uncertainty in market conditions and the unknown extent and duration of shut-ins, Paramount is withdrawing its 2020 sales volume guidance.
- Long-term debt as at March 31, 2020 was $651.5 million. Paramount was in compliance with the financial covenants contained in its senior secured revolving bank credit facility (the "Paramount Facility") as at March 31, 2020. These covenants are described under the heading "Liquidity and Capital Resources" in the Company's Management's Discussion & Analysis for the quarter. The current adverse pricing conditions for liquids that have arisen in connection with the COVID-19 pandemic have resulted in a risk of non-compliance with these financial covenants in future periods. In response to this risk, Paramount has initiated negotiations for financial covenant relief and these negotiations are ongoing. Paramount anticipates that any agreement for financial covenant relief will include a reduction in the size of the Paramount Facility, among other changes.
- The impact of the COVID-19 pandemic on forecast liquids and natural gas prices has caused the Company to record impairments to petroleum and natural gas assets totaling $191.8 million and a $130.0 million charge to derecognize a portion of the Company's deferred tax asset.

REVIEW OF OPERATIONS

GRANDE PRAIRIE REGION

Karr

Karr sales volumes and netbacks are summarized below:

	Q1 2020		Q4 2019		% Change
Sales volumes					
Natural gas (MMcf/d)	**59.4**		69.1		*(14)*
Condensate and oil (Bbl/d)	**9,691**		11,816		*(18)*
Other NGLs (Bbl/d)	**1,290**		1,614		*(20)*
Total (Boe/d)	**20,885**		24,943		*(16)*
% liquids	***53%***		*54%*		
Netback	($ millions)	*($/Boe)*	($ millions)	*($/Boe)*	*% Change in $ millions*
Petroleum and natural gas sales	**64.2**	***33.76***	92.5	*40.32*	*(31)*
Royalties	**(5.0)**	***(2.62)***	(6.8)	*(2.98)*	*(26)*
Operating expense	**(30.8)**	***(16.19)***	(30.5)	*(13.29)*	*1*
Transportation and NGLs processing	**(6.7)**	***(3.54)***	(6.9)	*(3.00)*	*(3)*
	21.7	***11.41***	48.3	*21.05*	*(55)*

First quarter 2020 sales volumes at Karr averaged 20,885 Boe/d compared to 24,943 Boe/d in the fourth quarter of 2019. First quarter sales volumes were impacted by severe cold weather and the back-out of production from certain legacy wells due to high pressures from the 4-24 and 1-19 pads.

The Company has installed gas lift and related compression at pads near the southwest terminus of Paramount's gathering system. This work was done to mitigate the impact from newer higher-pressure wells upstream. Work is ongoing to mitigate current and future potential back-out issues in the Karr gathering system, as new production continues to be brought online. The bulk of these efforts are scheduled to be completed in third quarter of 2020.

Paramount brought into service two additional water disposal wells towards the end of the first quarter of 2020. These new wells are anticipated to reduce operating costs in the second quarter of 2020 and beyond by reducing the need to truck and dispose of water at third-party facilities. Trucking is expected to be reduced even further upon the start-up of the third-party Karr 6-18 expansion in the second half of 2020 as additional high-pressure pumps will facilitate increased transportation of water to the disposal wells. The Company estimates that with the addition of these wells and related infrastructure, water disposal capacity is now sufficient to meet development needs for the foreseeable future.

Drilling operations on 5 (5.0 net) wells on the 12-18 pad that commenced in the fourth quarter of 2019 were completed in the first quarter of 2020. New drill bit technology and improved directional drilling performance resulted in an 18 percent decrease in per meter costs on an Upper Montney well relative to equivalent wells on prior pads. Likewise, the Company saw improved efficiencies in its completion operations with a 25 percent increase in peak fracking stages per day at the 12-18 pad. Paramount continues to incorporate cost savings through design changes that maintain performance without compromising on completion effectiveness.

The streamlining of pad facility design combined with improved execution and strategic alliances with key vendors has proven effective in reducing equipping and tie-in costs. The Company anticipates savings of approximately 10 percent on upcoming pads with the potential for further reductions based on recent discussions with its key vendors. In aggregate, Paramount estimates that the all-in DCET cost on the 12-

18 pad will average approximately $9.5 million per well; a new pacesetter cost for the Company. This compares with historic type well DCET costs of $12.3 million per well in Karr.

The Company plans to complete and bring on production all 10 (10.0 net) wells from the 2-1 pad, drilled in the fourth quarter of 2019, and the 12-18 pad over the remainder of the year in conjunction with the completion of the third-party Karr 6-18 processing facility expansion, expected in the second half of 2020. Paramount commenced the drilling of 5 (5.0 net) Montney wells on the 5-16 pad in the first quarter of 2020 with current plans to complete and bring the wells on production in 2021.

Production in the second and third quarters of 2020 will be impacted by the temporary shut-in of certain offsetting wells due to completion activities at both the 12-18 and 2-1 pads. As these wells resume production and wells on the 12-18 and 2-1 pads are brought onstream, production at Karr is expected to increase through the second half of the year. A scheduled one-week outage in May at the third-party operated Karr 6-18 facility, in relation to expansion activities, is currently underway and will also impact second quarter volumes.

The following table summarizes the performance of the wells on the 1-19 and 4-24 pads, as well as the five wells drilled in 2018 and the 27 wells drilled in the 2016/2017 capital program at Karr:

	Peak 30-Day (1)			Cumulative (2)			
	Total	**Wellhead Liquids**	**CGR (3)**	**Total**	**Wellhead Liquids**	**CGR (3)**	**Days on Production**
	(Boe/d)	*(Bbl/d)*	*(Bbl/MMcf)*	*(MBoe)*	*(MBbl)*	*(Bbl/MMcf)*	
01-19 Pad							
03/13-29-065-05W6/0	1,704	1,209	407	205	138	343	141
03/14-29-065-05W6/0	1,357	1,067	611	120	91	518	122
04/13-29-065-05W6/0	1,566	1,170	493	161	117	450	136
Avg. per well	**1,542**	**1,149**	**486**	**162**	**115**	**412**	**133**
04-24 Pad							
00/01-11-065-06W6/0	1,878	1,271	349	268	165	265	201
00/02-12-065-06W6/0	1,836	1,308	413	222	152	362	202
00/03-12-065-06W6/0	2,307	1,583	365	356	230	307	216
00/04-12-065-06W6/0	2,097	1,329	289	358	216	253	209
02/03-12-065-06W6/0	2,029	1,308	302	318	199	278	209
Avg. per well	**2,029**	**1,360**	**338**	**304**	**192**	**286**	**207**
2018 Wells							
5 wells (Avg. per well)	1,877	1,121	247	587	308	184	536
2016/2017 Wells							
27 wells (Avg. per well)	1,969	1,171	245	707	356	169	776

(1) Peak 30-Day is the highest daily average production rate over a 30-day consecutive period for each well, measured at the wellhead. Natural gas sales volumes are approximately 10 percent lower and liquids sales volumes are approximately 12 percent lower due to shrinkage. Excludes days when the wells did not produce. The production rates and volumes shown are 30-day peak rates over a short period of time and, therefore, are not necessarily indicative of average daily production, long-term performance or of ultimate recovery from the wells. These wells were produced at restricted rates from time-to-time due to facility and gathering system constraints. See "Oil and Gas Measures and Definitions" in the Advisories.

(2) Cumulative is the aggregate production measured at the wellhead to March 31, 2020. Natural gas sales volumes are approximately 10 percent lower and liquids sales volumes are approximately 12 percent lower due to shrinkage. These wells were produced at restricted rates from time-to-time due to facility and gathering system constraints. The production rates and volumes shown are not necessarily indicative of average daily production, long-term performance or of ultimate recovery from the wells.

(3) CGRs calculated by dividing raw wellhead liquids volumes by raw wellhead natural gas volumes.

Wapiti

First quarter sales volumes at Wapiti averaged 7,209 Boe/d (66 percent liquids) compared to 11,498 Boe/d (66 percent liquids) in the fourth quarter of 2019. Production in the first quarter of 2020 was impacted by three outages at the third-party processing facility consisting of an unplanned outage in January of approximately 12 days (1,500 Boe/d), a planned outage in early March of approximately 7 days (1,100 Boe/d) and an unplanned outage in the second half of March of approximately 11 days (1,700 Boe/d). During the outages, both Paramount and the third-party operator capitalized on the downtime by conducting optimization and maintenance work that would have otherwise required future near-term outages. While it is expected that these activities will improve the reliability and efficiency of the processing facility and associated infrastructure, Paramount continues to assume a lower uptime factor until consistent reliability is exhibited.

The Company commenced drilling operations on 5 (5.0 net) wells at the 5-3 West pad and completed the drilling of 2 (2.0 net) new Montney wells at the 6-4 pad in the first quarter of 2020. Plans to complete and bring onstream wells on the 5-3 West pad, drill the remaining 6 (6.0 net) wells on the 6-4 pad, and complete and bring onstream all 8 wells, have been deferred. A tenure well drilled and completed in 2015 is planned to be brought on production later in 2020.

Paramount continues to maximize production from wells on the 12-well 5-3 East pad drilled in 2019 as third-party infrastructure capacity allows. The wells on the 5-3 East pad are seeing improved performance relative to wells on the 9-3 pad as a result of changes to well equipping configuration and more efficient fluid handling. To date, seven wells on the 5-3 East pad have flowed through permanent facilities with all having produced through test facilities.

The following table summarizes the performance of wells on the 9-3 and 5-3 East pads:

	Peak 30-Day (1)			Cumulative (2)			
	Total	Wellhead Liquids	CGR (3)	Total	Wellhead Liquids	CGR (3)	Days on Production
	(Boe/d)	*(Bbl/d)*	*(Bbl/MMcf)*	*(MBoe)*	*(MBbl)*	*(Bbl/MMcf)*	
5-3 East Pad							
03/11-27-067-06W6/0	2,226	1,412	289	147	93	286	92
04/06-15-068-06W6/0	1,736	1,187	360	80	55	366	58
02/09-28-067-06W6/0	1,776	1,110	278	95	61	291	67
02/11-27-067-06W6/0	2,076	1,344	306	130	84	303	86
00/12-27-067-06W6/0	-	-	-	36	24	348	25
02/12-27-067-06W6/0	-	-	-	55	36	328	27
00/09-28-067-06W6/0	-	-	-	41	28	369	22
03/06-15-068-06W6/0	1,465	1,036	403	68	49	423	52
00/05-15-068-06W6/0	1,481	1,066	428	46	34	443	32
02/05-15-068-06W6/0	-	-	-	41	29	399	23
00/08-16-068-06W6/0	-	-	-	31	22	395	20
02/08-16-068-06W6/0	-	-	-	21	16	494	10
Avg. per well	**1,793**	**1,193**	**331**	**66**	**44**	**340**	**43**
9-3 Pad							
00/11-27-067-06W6/0	1,360	880	306	174	111	294	195
03/08-15-068-06W6/0	962	689	421	142	104	459	227
04/09-27-067-06W6/0	1,536	1,102	423	276	175	288	281
03/09-27-067-06W6/0	1,268	794	279	255	162	289	279
02/06-15-068-06W6/0	1,511	1,088	429	157	113	424	150
02/09-27-067-06W6/0	1,094	769	395	218	142	314	259
03/07-15-068-06W6/0	1,042	787	516	167	115	369	249
02/10-27-067-06W6/0	1,137	779	362	207	135	312	242
03/10-27-067-06W6/0	1,111	749	345	210	129	266	259
02/08-15-068-06W6/0	969	693	419	154	105	353	229
02/07-15-068-06W6/0	1,192	815	360	154	107	379	207
Avg. per well	**1,198**	**831**	**378**	**192**	**127**	**325**	**234**

(1) Peak 30-Day is the highest daily average production rate over a 30-day consecutive period for each well, measured at the wellhead. Under standard process flowing conditions at contracted rates, the natural gas sales volumes are approximately 11 percent lower and liquids sales volumes are approximately 3 percent lower due to process shrinkage. Excludes days when the wells did not produce. The production rates and volumes shown are 30-day peak rates over a short period of time and, therefore, are not necessarily indicative of average daily production, long-term performance or of ultimate recovery from the wells. These wells were produced at restricted rates from time-to-time due to facility and gathering system constraints. See "Oil and Gas Measures and Definitions" in the Advisories.

(2) Cumulative is the aggregate production measured at the wellhead to March 31, 2020. Under standard process flowing conditions at contracted rates, the natural gas sales volumes are approximately 11 percent lower and liquids sales volumes are approximately 3 percent lower due to process shrinkage. These wells were produced at restricted rates from time-to-time due to facility and gathering system constraints. The production rates and volumes shown are not necessarily indicative of average daily production, long-term performance or of ultimate recovery from the wells.

(3) CGRs calculated by dividing raw wellhead liquids volumes by raw wellhead natural gas volumes.

KAYBOB REGION

Kaybob Region sales volumes averaged 32,700 Boe/d (29 percent liquids) in the first quarter of 2020 compared to 33,167 Boe/d (31 percent liquids) in the fourth quarter of 2019. The annual decline rate on base well production in the Region is expected to be 15 percent over 2020 and is expected to largely flatten to 11 percent by 2022.

In the first quarter of 2020 the Company drilled 1 (1.0 net) Montney oil well at Ante Creek for Crown land retention purposes. A second land retention well that was planned to be drilled in 2020 prior to the Government of Alberta's announcement extending land expiries by one year will be deferred in reliance on this extension. The Company will benefit from this extension in a number of other areas.

The Company's crude oil terminal adjacent to the Kaybob North 8-9 gas plant continues to ramp-up operations smoothly with the capacity to handle growing Paramount and third-party volumes. Along with significant crude storage capability at this facility, Paramount is well positioned to take advantage of recent and anticipated price volatility in the crude and condensate markets in order to enhance Kaybob Region netbacks.

CENTRAL ALBERTA AND OTHER REGION

Central Alberta and Other Region sales volumes averaged 9,108 Boe/d (14 percent liquids) in the first quarter of 2020 compared to 15,455 Boe/d (26 percent liquids) in the fourth quarter of 2019. Sales volumes in the fourth quarter of 2019, when adjusted to exclude production from assets sold in December 2019, averaged approximately 9,200 Boe/d.

The Company continued its ABC abandonment and reclamation projects at Hawkeye and Zama in 2020. In the first quarter of 2020, Paramount abandoned 224 wells in these areas (out of total of 248 abandoned by the Company in the quarter), including all remaining operated Hawkeye wells. In doing so, the Company realized an approximate 7 percent decrease in per-well abandonment costs compared to the fourth quarter of 2019.

GREENHOUSE GAS REDUCTION INITIATIVE

As part of Paramount's continued commitment to responsible energy development, the Company has been participating in greenhouse gas ("GHG") emission reduction programs and investing in new equipment to reduce GHG emissions from its operations.

The Company is continuing upgrades to replace its remaining high-bleed controllers at various sites with modern low-bleed units. 196 low-bleed units are expected to be installed in the Grande Prairie Region in the second quarter of 2020. These new units are expected to eliminate approximately 8,600 tonnes of GHG emissions per year and generate approximately $0.5 million in GHG credits under current regulations through 2022.

HEDGING

The Company's current commodity hedge position is summarized below:

Oil	Volume	Price	Remaining term
Oil – NYMEX WTI Swaps (Sale)	4,000 Bbl/d	CDN$80.11/Bbl	April 2020 – December 2020
Oil – NYMEX WTI Swaps (Sale)	6,000 Bbl/d	CDN$38.78/Bbl	May 2020
Oil – NYMEX WTI Swaps (Sale)	6,000 Bbl/d	CDN$40.15/Bbl	June 2020

Gas	Volume	Price	Remaining term
NYMEX Swaps (Sale)	10,000 MMBtu/d	US$2.93/MMBtu	November 2020 - March 2021
NYMEX Swaps (Sale)	20,000 MMBtu/d	US$2.75/MMBtu	January 2021 - December 2021
Physical	80,000 GJ/d	$1.61/GJ	April 2020 - October 2020
Physical	10,000 GJ/d	$2.11/GJ	May 2020 - October 2020
Physical	10,000 GJ/d	$2.65/GJ	November 2020 - March 2021
Physical	20,000 GJ/d	$2.50/GJ	January 2021 - December 2021

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 reserves and resources, including longer-term strategic exploration and pre-development plays, and holds a portfolio of investments in other entities. The Company's principal properties are located in Alberta and British Columbia. Paramount's Class A common shares are listed on the Toronto Stock Exchange under the symbol "POU".

Paramount's first quarter 2020 results, including Management's Discussion and Analysis and the Company's Consolidated Financial Statements will be made available through Paramount's website at www.paramountres.com and on SEDAR at www.sedar.com.

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FINANCIAL AND OPERATING RESULTS [1]

($ millions, except as noted)

	Q1 2020		Q4 2019	
Net loss	**(235.1)**		(31.1)	
per share – basic and diluted ($/share)	***(1.76)***		*(0.24)*	
Cash from operating activities	**30.5**		70.5	
per share – basic and diluted ($/share)	***0.23***		*0.54*	
Adjusted funds flow	**33.5**		93.5	
per share – basic and diluted ($/share)	***0.25***		*0.71*	
Total assets	**3,009.5**		3,531.3	
Long-term debt	**651.5**		632.3	
Net debt	**771.9**		703.5	
Common shares outstanding *(thousands)*[2]	**133,346**		133,337	
Sales volumes				
Natural gas (MMcf/d)	**261.5**		299.0	
Condensate and oil (Bbl/d)	**21,898**		28,516	
Other NGLs (Bbl/d) [3]	**4,539**		7,064	
Total (Boe/d)	**70,022**		85,411	
% liquids	***38%***		*42%*	
Grande Prairie Region (Boe/d)	**28,214**		36,789	
Kaybob Region (Boe/d)	**32,700**		33,167	
Central Alberta and Other Region (Boe/d)	**9,108**		15,455	
Total (Boe/d)	**70,022**		85,411	
Netback		*$/Boe* [4]		*$/Boe* [4]
Natural gas revenue	**53.6**	***2.25***	75.1	*2.73*
Condensate and oil revenue	**111.4**	***55.92***	175.0	*66.70*
Other NGLs revenue [3]	**4.4**	***10.75***	8.5	*13.03*
Royalty and sulphur revenue	**2.7**	**—**	1.3	—
Petroleum and natural gas sales	**172.1**	***27.01***	259.9	*33.08*
Royalties	**(11.7)**	***(1.84)***	(17.2)	*(2.19)*
Operating expense	**(92.3)**	***(14.49)***	(105.0)	*(13.36)*
Transportation and NGLs processing [5]	**(23.6)**	***(3.70)***	(22.8)	*(2.90)*
Netback	**44.5**	***6.98***	114.9	*14.63*
Commodity contract settlements	**7.0**	***1.10***	4.7	*0.60*
Netback including commodity contract settlements	**51.5**	***8.08***	119.6	*15.23*
Total Capital Expenditures				
Grande Prairie Region	**49.8**		60.7	
Kaybob Region	**10.1**		9.5	
Central Alberta and Other Region	**2.8**		0.6	
Corporate	**1.1**		—	
Land and property acquisitions	**—**		1.4	
Total	**63.8**		72.2	
Asset retirement obligations settlements	**30.3**		18.0	

(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. This table contains the following Non-GAAP measures: Adjusted Funds Flow, Net Debt, Netback, and Total Capital Expenditures.
(2) Common shares are presented net of shares held in trust under the Company's restricted share unit plan (000's of common shares): 2020: 852.4; 2019: 859.7
(3) Other NGLs means ethane, propane and butane.
(4) Natural gas revenue presented as $/Mcf.
(5) Includes downstream transportation costs and NGLs fractionation costs.

ADVISORIES

Forward-looking Information

Certain statements in this press release 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 press release includes, but is not limited to:

- an expected reduction in operating costs from two additional water disposal wells at Karr and the expectation that the wells will meet Karr development needs for the foreseeable future;
- planned capital expenditures for 2020;
- planned abandonment and reclamation expenditures for 2020;
- planned exploration, development and production activities;
- expected reductions in costs and expenditures;
- the expectation that negotiations for financial covenant relief under the Paramount Facility will be successful and the terms thereof;
- estimated and anticipated DCET costs;
- the expected completion of the 6-18 facility expansion and the timing thereof;
- an expected increase in production at Karr through the second-half of the year;
- an expected improvement in the reliability and efficiency of the third-party Wapiti processing facility and associated infrastructure;
- expected decline rates at Kaybob; and
- expected GHG reductions associated with controller upgrades and expected GHG credits.

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 press release:

- future natural gas and liquids prices and the potential impact of the COVID-19 pandemic thereon;
- the likely impact of the COVID-19 pandemic on operations;
- the likely result of negotiations for financial covenant relief under the Paramount Facility;
- the ability to realize expected cost savings;
- the ability to successfully implement measures to reduce costs and expenses;
- 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, fractionation, and storage capacity on acceptable terms and the capacity and reliability of facilities;
- 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 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, 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 press release, 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. In addition, although Paramount expects that negotiations for financial covenant relief under the Paramount Facility will be successful, there is no assurance that an agreement will be reached on acceptable terms. 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 the Management's Discussion and Analysis for the three months ended March 31, 2020 ("MD&A") under "Risk Factors";
- fluctuations in natural gas and liquids prices, including in relation to the impact of the COVID-19 pandemic;
- the risk that negotiations for financial covenant relief under the Paramount Facility will not be successful and the risks set out under "Risk Factors - Credit Facility and Indebtedness" in Paramount's annual information form;

- changes in capital spending plans and planned exploration and development activities;
- changes in foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future revenue, 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, fractionation, and storage capacity on acceptable terms;
- operational risks in exploring for, developing, producing and transporting natural gas and liquids, including the risk of spills, leaks or blowouts;
- the ability to obtain equipment, 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, 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 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, fractionation and similar commitments and obligations);
- changes in, or in the interpretation of, laws, regulations or policies (including environmental laws);
- the ability to obtain required governmental or regulatory approvals in a timely manner, and to obtain and maintain leases and licenses;
- 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 sections titled "*Risk Factors*" in Paramount's annual information form for the year ended December 31, 2019, and in the MD&A which are available on SEDAR at www.sedar.com. The forward-looking information contained in this press release 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 press release, "Adjusted funds flow", "Netback", "Net Debt" and "Total Capital Expenditure", together the "Non-GAAP measures", are used and do not have any standardized meanings as prescribed by International Financial Reporting Standards.

"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, provision and other, dispute settlements, closure costs 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 obligation 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 managing 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. The following is a reconciliation of adjusted funds flow to the nearest GAAP measure for the three months ended March 31, 2020 and December 31, 2019:

Three months ended	Mar 31, 2020 (MM$)	Dec. 31, 2019 (MM$)
Cash from operating activities	**30.5**	**70.4**
Change in non-cash working capital	(34.3)	(7.9)
Geological and geophysical expenses	2.6	3.5
Asset retirement obligations settled	30.3	18.0
Provision and other	4.4	-
Closure costs	-	4.7
Dispute settlements	-	2.5
Transaction and reorganization costs	-	2.3
Adjusted funds flow	**33.5**	**93.5**

“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 table under the heading “Financial and Operating Results” 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 the Company’s MD&A for the calculation of Net Debt.

“Total capital expenditures” refers to the Company’s property, plant and equipment and exploration expenditures. Refer to the Property, Plant and Equipment and Exploration Expenditures section of the Company’s MD&A for the calculation thereof.

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

Liquids	
Bbl	Barrels
Bbl/d	Barrels per day
MBbl	Thousands of barrels
NGLs	Natural gas liquids
Condensate	Pentane and heavier hydrocarbons

Oil Equivalent	
Boe	Barrels of oil equivalent
MBoe	Thousands of barrels of oil equivalent
MMBoe	Millions of barrels of oil equivalent
Boe/d	Barrels of oil equivalent per day

Natural Gas	
GJ	Gigajoules
GJ/d	Gigajoules per day
Mcf	Thousands of cubic feet
MMcf	Millions of cubic feet
MMcf/d	Millions of cubic feet per day
AECO	AECO-C reference price
WTI	West Texas Intermediate

This press release contains disclosures expressed as "Boe", "$/Boe", "MBoe","MMBoe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the three months ended March 31, 2020, the value ratio between crude oil and natural gas was approximately 26:1. 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.

This press release refers to “CGR”, a metric commonly used in the oil and natural gas industry. “CGR” means condensate to gas ratio and is calculated by dividing wellhead raw liquids volumes by wellhead raw natural gas volumes. This metric does not have a standardized meaning and may not be comparable to similar measures presented by other companies. As such, it should not be used to make comparisons. Management uses this oil and gas metric for its own performance measurements and to provide shareholders with measures to compare the Company's performance over time; however, such measure is not a reliable indicator of the Company's future performance and future performance may not compare to the performance in previous periods and therefore should not be unduly relied upon.

Additional information respecting the Company’s oil and gas properties and operations, including a breakdown of 2019 annual and quarterly production volumes by product type, is provided in the Company’s annual information form for the year ended December 31, 2019 which is available on SEDAR at www.sedar.com.

Management's Discussion and Analysis
For the three months ended March 31, 2020

This Management's Discussion and Analysis ("MD&A"), dated May 12, 2020 should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the three months ended March 31, 2020 (the "Interim Financial Statements") and Paramount's audited Consolidated Financial Statements as at and for the year ended December 31, 2019 (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.

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.

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 reserves and resources. The Company also pursues longer-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 focused on Montney developments at Karr and Wapiti;
- the Kaybob Region, located in west-central Alberta, which is focused on Montney and Duvernay developments at Kaybob, Smoky River, Pine Creek and Ante Creek; and
- the Central Alberta and Other Region, which includes Duvernay development plays in Central Alberta at Willesden Green and the East Shale Basin, lands and production in British Columbia and approximately 180,000 acres of fee simple land and various associated royalty interests.

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; and (iii) drilling rigs owned by Paramount's wholly-owned limited partnership, Fox Drilling Limited Partnership.

FINANCIAL AND OPERATING HIGHLIGHTS [1]

Three months ended March 31	2020	2019	% Change
FINANCIAL			
Petroleum and natural gas sales	**172.1**	246.1	*(30)*
Net loss	**(235.1)**	(76.7)	*207*
per share – basic & diluted ($/share)	***(1.76)***	*(0.59)*	
Cash from operating activities	**30.5**	88.5	*(66)*
per share – basic & diluted ($/share)	***0.23***	*0.68*	
Adjusted funds flow	**33.5**	100.5	*(67)*
per share – basic & diluted ($/share)	***0.25***	*0.77*	
Total assets	**3,009.5**	4,108.0	*(27)*
Long-term debt	**651.5**	827.3	*(21)*
Net debt	**771.9**	903.3	*(15)*
Common shares outstanding (thousands) [2]	**133,346**	130,331	*2*
OPERATIONAL			
Sales volumes			
Natural gas (MMcf/d)	**261.5**	308.0	*(15)*
Condensate and oil (Bbl/d)	**21,898**	23,679	*(8)*
Other NGLs (Bbl/d) [3]	**4,539**	6,284	*(28)*
Total (Boe/d)	**70,022**	81,296	*(14)*
% Liquids	***38%***	*37%*	
Realized prices			
Natural gas revenue ($/Mcf)	**2.25**	3.37	*(33)*
Condensate and oil revenue ($/Bbl)	**55.92**	63.26	*(12)*
Other NGLs revenue ($/Bbl) [3]	**10.75**	28.55	*(62)*
Petroleum and natural gas sales ($/Boe)	**27.01**	33.63	*(20)*
Total capital expenditures	**63.8**	104.1	*(39)*

(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, Net debt and Total capital expenditures.

(2) Common Shares are presented net of shares held in trust under the Company's restricted share unit plan (000's of Common Shares): 2020: 852 and 2019: 574.

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

IMPACT OF COVID-19 PANDEMIC AND PARAMOUNT'S RESPONSE

The erosion of global demand for crude oil and petroleum products in connection with the COVID-19 pandemic, combined with disputes among members of OPEC+ concerning production levels, led to a material deterioration in Liquids prices received by the Company in the latter part of the quarter ended March 31, 2020. Adverse pricing conditions for Liquids have persisted, with the negative impact magnified in Canada by widening differentials between West Texas Intermediate and Canadian sales prices. In response to these conditions, the Company has moved aggressively to further reduce its cost structure:

- Paramount has revised its 2020 capital guidance to $165 million. This revised guidance reflects expected cost reductions at planned activity levels generally unchanged from the low end of previous capital guidance of $185 million.
- Measures to reduce operating costs, including securing lower contractor and supplier rates, are expected to result in total savings of approximately $25 million over the final three quarters of 2020.
- Workforce reductions, a 20 percent reduction in the salary of the Chief Executive Officer and in the cash compensation of the Board of Directors, a 10 percent reduction in the salaries of all other staff and the suspension or elimination of a number of benefits and incentive compensation programs are expected, when combined with previous initiatives, to reduce 2020 general and administrative costs by approximately $15 million.
- Paramount has temporarily shut-in approximately 6,600 Boe/d of production at various properties and will adjust shut-in levels as required to maximize the economics of its production base.

The Company has also entered into incremental 2020 and 2021 natural gas hedges and near-term Liquids hedges to mitigate volatility and protect cash flows.

Paramount has implemented a corporate pandemic response plan aimed at ensuring the health and safety of its staff and contractors and the people they come in contact with. Under the plan, Paramount staff are working remotely other than in situations where physical workplace attendance is essential. Paramount has taken action to ensure its field operations are being conducted in compliance with public health requirements and guidelines, including by providing additional personal protective equipment and restricting access to its work sites to critical personnel. Paramount continues to monitor the effect of the COVID-19 pandemic on its supply chain and the availability of third party services. To date, the Company has not observed a material interruption in supplies or services related to the pandemic. The course of the COVID-19 pandemic and its ultimate economic impact remain highly uncertain. Paramount will continue to proactively respond to the pandemic and the risks that it poses to the Company, including the risks described in this MD&A under "Risk Factors".

GUIDANCE

Paramount announced by a press release issued on March 19, 2020 that it had revised its 2020 capital guidance to a range of $185 million to $250 million (down from $350 million to $450 million) and its forecast average sales volumes for 2020 to a range of between 70,000 Boe/d to 75,000 Boe/d (down from 75,000 Boe/d to 80,000 Boe/d). A copy of the March 19, 2020 press release is available under the Company's profile on SEDAR at www.sedar.com.

Paramount has revised its 2020 capital guidance to $165 million. Given significant ongoing uncertainty in market conditions and the unknown extent and duration of shut-ins, Paramount is withdrawing 2020 sales volume guidance.

CONSOLIDATED RESULTS

Net Loss

Paramount recorded a net loss of $235.1 million for the three months ended March 31, 2020 compared to a net loss of $76.7 million in the same period in 2019. Significant factors contributing to the change are shown below:

Three months ended March 31	
Net loss – 2019	**(76.7)**
• Higher depletion, depreciation and impairment in 2020, mainly due to impairment charges of $191.8 million in 2020	(184.2)
• Income tax expense in 2020 compared to a recovery in 2019, due to the derecognition of $130.0 million of the deferred income tax asset	(120.6)
• Lower netback in 2020, mainly due to lower commodity prices and sales volumes	(71.2)
• Gain on commodity contracts in 2020 compared to a loss in 2019	115.0
• Recovery related to changes in asset retirement obligations in 2020	94.8
• Closure program provision recognized in 2019 in respect of the Zama field	13.4
• Other	(5.6)
Net loss – 2020	**(235.1)**

Cash From Operating Activities

Cash from operating activities for the three months ended March 31, 2020 was $30.5 million compared to $88.5 million in the same period in 2019. Significant factors contributing to the change are shown below:

Three months ended March 31	
Cash from operating activities – 2019	**88.5**
• Lower netback in 2020, mainly due to lower commodity prices and sales volumes	(71.2)
• Higher asset retirement obligation settlements in 2020	(24.5)
• Provision in 2020	(4.7)
• Change in non-cash working capital	37.5
• Lower general and administrative expenses in 2020	3.5
• Other	1.4
Cash from operating activities – 2020	**30.5**

Adjusted Funds Flow (1)

The following is a reconciliation of adjusted funds flow to the nearest GAAP measure:

Three months ended March 31	2020	2019
Cash from operating activities	30.5	88.5
Change in non-cash working capital	(34.3)	3.2
Geological and geophysical expenses	2.6	3.0
Asset retirement obligations settled	30.3	5.8
Provision and other	4.4	–
Adjusted funds flow	33.5	100.5
Adjusted funds flow (*$/Boe*)	5.26	13.74

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

Adjusted funds flow for the three months ended March 31, 2020 was $33.5 million compared to $100.5 million in the same period in 2019. Significant factors contributing to the change are shown below:

Three months ended March 31	
Adjusted funds flow – 2019	**100.5**
• Lower netback in 2020, mainly due to lower commodity prices and sales volumes	(71.2)
• Lower general and administrative expense in 2020	3.5
• Other	0.7
Adjusted funds flow – 2020	33.5

OPERATING RESULTS

Netback (1)

Three months ended March 31	2020		2019	
		($/Boe) (2)		*($/Boe)* (2)
Natural gas revenue	53.6	2.25	93.3	3.37
Condensate and oil revenue	111.4	55.92	134.8	63.26
Other NGLs revenue (3)	4.4	10.75	16.2	28.55
Royalty and sulphur revenue	2.7	—	1.8	–
Petroleum and natural gas sales	172.1	27.01	246.1	33.63
Royalties	(11.7)	(1.84)	(15.4)	(2.10)
Operating expense	(92.3)	(14.49)	(90.4)	(12.35)
Transportation and NGLs processing (4)	(23.6)	(3.70)	(24.6)	(3.36)
Netback	44.5	6.98	115.7	15.82
Commodity contract settlements	7.0	1.10	5.6	0.77
Netback including commodity contract settlements	51.5	8.08	121.3	16.59

(1) Readers are referred to the advisories concerning Non-GAAP measures in the Advisories section of this document.
(2) Natural gas revenue presented per Mcf.
(3) Other NGLs means ethane, propane and butane.
(4) Includes downstream transportation costs and NGLs fractionation costs.

Petroleum and natural gas sales were $172.1 million in the first quarter of 2020, a decrease of $74.0 million from the same period in the prior year, due to lower prices and sales volumes.

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 March 31, 2019	93.3	134.8	16.2	1.8	**246.1**
Effect of changes in sales volumes	(13.2)	(8.8)	(4.4)	–	**(26.4)**
Effect of changes in prices	(26.5)	(14.6)	(7.4)	–	**(48.5)**
Change in royalty and sulphur revenue	–	–	–	0.9	**0.9**
Three months ended March 31, 2020	**53.6**	**111.4**	**4.4**	**2.7**	**172.1**

Sales Volumes

	Three months ended March 31											
	Natural gas (MMcf/d)			Condensate and oil (Bbl/d)			Other NGLs (Bbl/d)			Total (Boe/d)		
	2020	2019	% Change	**2020**	2019	% Change	**2020**	2019	% Change	**2020**	2019	% Change
Grande Prairie	**74.6**	78.0	*(4)*	**14,097**	10,929	*29*	**1,680**	1,602	*5*	**28,214**	25,530	*11*
Kaybob	**140.2**	150.5	*(7)*	**7,123**	9,733	*(27)*	**2,218**	2,324	*(5)*	**32,700**	37,143	*(12)*
Central Alberta & Other	**46.7**	79.5	*(41)*	**678**	3,017	*(78)*	**641**	2,358	*(73)*	**9,108**	18,623	*(51)*
Total	**261.5**	308.0	*(15)*	**21,898**	23,679	*(8)*	**4,539**	6,284	*(28)*	**70,022**	81,296	*(14)*

Sales volumes were 70,022 Boe/d in the first quarter of 2020 compared to 81,296 Boe/d in the same period in 2019. The decrease was primarily due to the sale of certain natural gas-weighted properties in West Central Alberta (the "West Central Alberta Assets") in 2019, natural declines and the closure of the Zama property. In addition, production at Karr in the Grande Prairie Region was impacted by severe cold weather and the back-out of production from certain legacy wells due to high pressures from new wells brought on production later in 2019.

These decreases were partially offset by higher sales volumes at Wapiti in the Grande Prairie Region following start-up of the new third-party Wapiti natural gas processing plant in the second quarter of 2019 and at South Duvernay and Ante Creek in the Kaybob Region as a result of new wells being brought-on production. In the first quarter of 2020, production at Wapiti was impacted by approximately 4,300 Boe/d due to three separate outages (two unscheduled and one scheduled) at the third-party processing facility, which amounted to approximately one full month of downtime.

In December 2019, Paramount closed the sale of the West Central Alberta Assets for gross cash proceeds of approximately $52.4 million. The West Central Alberta Assets were included in the Central Alberta & Other Region and had average sales volumes of approximately 8,200 Boe/d (60 percent natural gas) and a netback of approximately $8.1 million in the first quarter of 2019.

Following the end of the first quarter of 2020, Paramount has temporarily shut-in approximately 6,600 Boe/d of production at various properties and will adjust shut-in levels as required to maximize the economics of its production base.

Commodity Prices

Three months ended March 31	2020	2019	% Change
Natural Gas			
Paramount realized price ($/Mcf)	2.25	3.37	(33)
AECO daily spot ($/GJ)	1.93	2.49	(22)
AECO monthly index ($/GJ)	2.03	1.84	10
Dawn ($/MMbtu)	2.35	3.90	(40)
NYMEX (US$/MMbtu)	1.87	2.86	(35)
Malin – monthly index (US$/MMbtu)	2.27	3.88	(41)
Condensate and Oil			
Paramount average realized condensate & oil price ($/Bbl)	55.92	63.26	(12)
Edmonton Light Sweet ($/Bbl)	52.02	66.92	(22)
West Texas Intermediate (US$/Bbl)	46.17	54.81	(16)
Other NGLs (1)			
Paramount realized Other NGLs price ($/Bbl)	10.75	28.55	(62)
Conway – propane ($/Bbl)	19.19	32.33	(41)
Belvieu – butane ($/Bbl)	31.82	42.29	(25)
Foreign Exchange			
$CDN / 1 $US	1.34	1.33	1

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

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

As at March 31, 2020 the Company had AECO fixed-price physical contracts in place to sell 80,000 GJ/d of natural gas at a price of $1.61/GJ from April 2020 to October 2020.

Subsequent to March 31, 2020, the Company entered into the following AECO fixed-price physical contracts:

Quantity	Fixed price	Remaining term
10,000 GJ/d	$2.11/GJ	May 2020 to October 2020
10,000 GJ/d	$2.65/GJ	November 2020 to March 2021
20,000 GJ/d	$2.50/GJ	January 2021 to December 2021

Paramount ships a portion of its crude oil and condensate production on third-party pipelines for sale in Edmonton, Alberta, where volumes sold generally receive higher prices due to the greater diversity of potential purchasers. A portion of the Company's production continues to be sold at truck terminals or 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 butane and propane volumes are sold under contracts that are renewed annually. Depressed local demand for butane and propane, combined with elevated storage levels during the renewal period in 2019 resulted in wider price differentials applicable for the quarter ended March 31, 2020 compared to the same period in 2019.

Commodity Price Management

From time-to-time Paramount uses financial commodity contracts to manage exposure to commodity price volatility. As at March 31, 2020, 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)	4,000 Bbl/d	CDN$80.11/Bbl	41.4	April 2020 – December 2020

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

	Three months ended March 31, 2020	Twelve months ended December 31, 2019
Fair value, beginning of period	6.1	64.4
Changes in fair value	42.3	(45.1)
Settlements received	(7.0)	(13.2)
Fair value, end of period	41.4	6.1

Subsequent to March 31, 2020, the Company entered into the following financial commodity contracts:

Instruments	Aggregate notional	Average fixed price	Remaining term
Gas – NYMEX Swaps (Sale)	10,000 MMBtu/d	US$2.93/MMBtu	November 2020 to March 2021
Gas – NYMEX Swaps (Sale)	20,000 MMBtu/d	US$2.75/MMBtu	January 2021 to December 2021
Oil – NYMEX WTI Swaps (Sale)	6,000 Bbl/d	CDN$38.78/Bbl	May 2020
Oil – NYMEX WTI Swaps (Sale)	6,000 Bbl/d	CDN$40.15/Bbl	June 2020

Royalties

Three months ended March 31	2020	Rate	2019	Rate
Royalties	11.7	6.9%	15.4	6.3%
$/Boe	*1.84*		*2.10*	

Royalties expense was $11.7 million in the first quarter of 2020, $3.7 million lower than the same period in 2019. Royalties decreased in 2020 primarily as a result of lower petroleum and natural gas sales revenue.

Operating Expense

Three months ended March 31	2020	2019	% Change
Operating expense	92.3	90.4	2
$/Boe	*14.49*	*12.35*	*17*

Operating expense was $92.3 million for first quarter of 2020, $1.9 million higher than the same period in 2019. The increase in operating expenses is primarily due to higher operating costs at Karr as a result of incremental natural gas processing fees following the sale of the Karr 6-18 natural gas facility in August 2019 (the "Midstream Transaction") and at Wapiti related to new production. These increases were partially offset by lower operating costs in the Central Alberta and Other Regions following the disposition of the West Central Alberta Assets and the closure of the Zama property.

Transportation and NGLs Processing

Three months ended March 31	2020	2019	% Change
Transportation and NGLs processing	**23.6**	24.6	(4)
$/Boe	***3.70***	*3.36*	10

Transportation and NGLs processing expense was $23.6 million for the first quarter of 2020 compared to $24.6 million in the same period in 2019. Transportation and NGLs processing costs decreased in 2020 as a result of lower production, partially offset by higher contracted transportation capacity for new production at Wapiti.

Other Operating Items

Three months ended March 31	2020	2019
Depletion and depreciation (excluding impairment)	**(73.1)**	(80.7)
Impairment of petroleum and natural gas assets	**(191.8)**	–
Exploration and evaluation expense	**(11.9)**	(5.1)
Gain on sale of oil and gas assets	**2.3**	6.0

In light of the significant deterioration in commodity prices in connection with the COVID-19 pandemic, the Company has determined that indicators of impairment existed at March 31, 2020. An impairment test was performed at March 31, 2020 and the Company recorded impairments of $188.3 million and $3.5 million related to petroleum and natural gas assets in the Kaybob and Northern cash generating units ("CGUs"), respectively. The impairments were recorded because the carrying value of the CGUs exceeded their estimated recoverable amount, which were estimated based on expected net cash flows from the production of reserves ascribed to each CGU. The impairments resulted from decreases in estimated future net revenues, mainly due to lower forecasted oil and natural gas prices.

Recoverable amounts were estimated on a fair value less cost of disposal basis using a discounted cash flow method (level three fair value hierarchy estimate). Cash flows were determined based on internally estimated after-tax discounted future net cash flows from the production of proved plus probable reserves assigned to the Kaybob and Northern CGUs, at discount rates of 11.5 percent and 13.5 percent, respectively. The net cash flows from the reserves estimated by Paramount's independent qualified reserves evaluator as at December 31, 2019 were internally updated by Management to reflect commodity price estimates at March 31, 2020 and for changes to certain operating and capital assumptions to reflect the current economic environment. The reserves process is inherently subjective and involves considerable estimation uncertainty.

The following table sets out the forecast benchmark commodity prices and exchange rates used to determine estimated recoverable amounts [(1)]:

(Average for the period)	(Apr-Dec) 2020	2021	2022	2023	2024	2025-2032	Thereafter
Natural Gas [(2)]							
AECO ($/MMBtu)	1.74	2.20	2.38	2.45	2.53	2.60-3.04	+2%/yr
Henry Hub (US$/MMBtu)	2.10	2.58	2.79	2.86	2.93	3.00-3.45	+2%/yr
Liquids [(2)]							
Edmonton Condensate ($/Bbl)	34.35	50.72	62.80	68.49	71.73	73.16-84.23	+2%/yr
WTI (US$/Bbl)	29.17	40.45	49.17	53.28	55.66	56.87-65.33	+2%/yr
Foreign Exchange							
$US / 1 $CDN	0.71	0.73	0.75	0.75	0.75	0.75	0.75

(1) Average of forecasts published by: (i) McDaniel & Associates Consultants Ltd. and GLJ Petroleum Consultants Ltd. at April 1, 2020 and (ii) Sproule Associates Ltd. at March 31, 2020.

(2) Forecast benchmark prices are adjusted for quality differentials, heat content, distance to market and other factors in determining estimated recoverable amounts.

INVESTMENTS IN SECURITIES

As at	March 31, 2020	December 31, 2019
Level one fair value hierarchy securities	17.3	88.4
Level three fair value hierarchy securities	20.7	68.5
	38.0	156.9

Investments in level one fair value hierarchy securities ("Level One Securities") are carried at their period-end trading price. Estimates of fair values for investments in level three fair value hierarchy securities ("Level Three Securities") are based on valuation techniques that incorporate unobservable inputs (level three fair value hierarchy 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 including financial and operational 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.

At March 31, 2020, the Company recorded a charge of $118.2 million to other comprehensive income (“OCI”) as a result of changes in the fair value estimates of Level One Securities and Level Three Securities and a charge to earnings of $1.5 million related to a change in the estimated fair value of Strath Resources Ltd. (“Strath”) warrants.

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

	Three months ended March 31, 2020 [(1)]	Twelve months ended December 31, 2019 [(1)]
Investments in securities, beginning of period	156.9	231.7
Changes in fair value of Level One Securities – recorded in OCI	(72.1)	6.3
Changes in fair value of Level Three Securities [(2)] – recorded in OCI	(46.1)	(118.1)
Changes in fair value of Strath warrants – recorded in earnings	(1.5)	(9.2)
Acquired – cash	0.9	55.1
Acquired – non-cash	–	4.5
Dispositions	–	(13.6)
Investments in securities, end of period	38.0	156.9

(1) Column does not add due to rounding.

(2) Primarily related to the change in fair value of 85 million Strath common shares and excluding Strath warrants.

CORPORATE

Three months ended March 31	2020	2019
General and administrative	(10.2)	(13.7)
Share-based compensation	–	(4.9)
Interest and financing	(9.5)	(9.2)
Accretion of asset retirement obligations	(10.5)	(14.5)
Change in asset retirement obligations	94.8	–
Closure costs	–	(13.4)
Deferred income tax (expense) recovery	(106.7)	13.9

General and administrative and share-based compensation expense was lower in the first quarter of 2020 compared to the same period in 2019 primarily due to cost reduction initiatives, including the suspension or elimination of a number of benefits and incentive compensation programs.

In the first quarter of 2020, the Company recorded a recovery of $94.8 million (three months ended March 31, 2019 - $nil) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment. The changes resulted from a revision in the weighted average credit-adjusted risk-free rate used to discount obligations.

In early 2019, the Company made the decision to cease its production operations at the Zama property in northern Alberta and commenced a closure program at the property. The Company recognized a provision of $13.4 million at March 31, 2019 in respect of the expected costs of the program.

At each reporting date, Paramount assesses the recoverability of the deferred income tax asset to determine whether it is more likely than not that the carrying value of the asset will be realized. As at March 31, 2020, the Company determined that a portion of the carrying value of the deferred income tax asset was not probable of realization and, accordingly, $130.0 million of the deferred income tax asset was derecognized.

PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION EXPENDITURES

Three months ended March 31	2020	2019
Drilling, completion and tie-ins	53.3	58.4
Facilities and gathering (1)	9.4	42.2
Corporate	1.1	2.5
Land and property acquisitions	–	1.0
Total capital expenditures (2)	63.8	104.1
Grande Prairie Region (1)	49.8	67.7
Kaybob Region	10.1	27.4
Central Alberta and Other Region	2.8	5.5
Corporate	1.1	2.5
Land and property acquisitions	–	1.0
Total capital expenditures (2)	63.8	104.1

(1) Total capital expenditures for the three months ended March 31, 2019 includes $34.5 million of capital spending related to the Karr 6-18 natural gas facility prior to its sale.
(2) Readers are referred to the advisories concerning Non-GAAP measures in the Advisories section of this document.

Total capital expenditures were $63.8 million in the first quarter of 2020 compared to $104.1 million in the first quarter of 2019. Expenditures in the first quarter of 2020 were mainly related to drilling programs in the Grande Prairie Region. Significant capital program activities undertaken in the first quarter of 2020 are described below:

- At Karr, Paramount completed the drilling of 5 (5.0 net) wells on the 12-18 pad that had commenced in the fourth quarter of 2019. In addition, drilling commenced on 5 (5.0 net) wells and gas lift and related compression were installed to mitigate the impact from new higher-pressure wells upstream. The Company also brought into service two additional water disposal wells towards the end of the first quarter of 2020. These new wells are anticipated to reduce operating costs by reducing the need to truck and dispose of water at third-party facilities.

- At Wapiti, the Company commenced drilling operations on the five-well 5-3 West pad and completed the drilling of 2 (2.0 net) new Montney wells at the 6-4 pad.

- In the Kaybob Region, the Company completed the drilling of 1 (1.0 net) oil well at Ante Creek for land retention purposes.

The Company has revised its 2020 capital guidance to $165 million. Capital plans remain focused on the Company's liquids-rich Montney assets in the Grande Prairie Region. The Company is committed to prudently managing its capital resources and may adjust its capital expenditure plans depending on commodity prices and other factors.

ASSET RETIREMENT OBLIGATIONS

Abandonment and reclamation projects at Hawkeye and Zama under the area-based closure program continued in the first quarter of 2020, with the Company abandoning 224 wells between the two properties, including all remaining operated wells in the Hawkeye area. An additional 24 wells were abandoned in other areas for a total of 248 well abandonments in the first quarter of 2020 at a total cost of $30.3 million. Paramount's abandonment and reclamation activities for the year are budgeted at $33 million and are now largely complete.

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	March 31, 2020	December 31, 2019
Cash and cash equivalents	(5.7)	(6.0)
Accounts receivable	(68.5)	(116.6)
Prepaid expenses and other	(9.5)	(11.0)
Accounts payable and accrued liabilities	204.1	204.8
Adjusted working capital deficit (1)	120.4	71.2
Paramount Facility	651.5	632.3
Net Debt (2)	771.9	703.5
Share capital	2,207.3	2,207.5
Accumulated deficit	(377.6)	(128.5)
Reserves	(113.3)	4.2
Total Capital	2,488.3	2,786.7

(1) Adjusted working capital excludes current risk management assets and liabilities, current accounts receivable relating to subleases (March 31, 2020 - $2.1 million, December 31, 2019 – $2.0 million) and the current portion of asset retirement obligations and other.
(2) Refer to the advisories concerning non-GAAP measures in the Advisories section of this document.

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 contractual commitments. Paramount's available capital resources include adjusted funds flow and available credit capacity under its senior secured revolving bank credit facility (the "Paramount Facility"), the terms of which are described further below. The relative contribution of adjusted funds flow to satisfy the Company's funding requirements in 2020 and in future years is variable and 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 to raise capital to reduce indebtedness or fund operations. 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.

A continuation of the current adverse pricing conditions for Liquids would significantly reduce the Company's revenue and adjusted funds flow. In response, the Company has taken the actions to reduce costs and expenditures described under "Impact of COVID-19 Pandemic and Paramount's Response". The Company expects to utilize credit capacity under the Paramount Facility for any additional liquidity required to fund its expenditures and adjusted working capital deficit.

As at March 31, 2020, Paramount was in compliance with the financial covenants under the Paramount Facility described below. The current adverse pricing conditions for Liquids that have arisen in connection with the COVID-19 pandemic have resulted in a risk of non-compliance with the financial covenants in future periods. In response to such risk, Paramount has initiated negotiations for financial covenant relief, which negotiations remain ongoing. Paramount anticipates that any agreement for such relief will include a reduction in the size of the Paramount Facility, among other changes. Although Paramount expects that such negotiations will be successful, there is no assurance that an agreement will be reached on acceptable terms. See "Risk Factors".

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.

Borrowings under the Paramount Facility bear interest at the lenders' prime lending rate, US base rate, bankers' acceptance rate, or LIBOR, as selected at the discretion of the Company, plus an applicable margin which is dependent upon 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 Paramount, excluding the assets of Cavalier and Fox Drilling.

Paramount is subject to the following two financial covenants under the Paramount Facility, which are tested at the end of each fiscal quarter:

i. Senior Secured Debt to Consolidated EBITDA to be 3.50 to 1.00 or less; and

ii. Consolidated EBITDA to Consolidated Interest Expense to be 2.50 to 1.00 or greater.

Senior Secured Debt currently consists of amounts drawn under the Paramount Facility and the undrawn face amounts of letters of credit outstanding under the Paramount Facility.

Consolidated EBITDA is determined on a trailing twelve month basis, is adjusted for material acquisitions and dispositions, and is generally calculated as net income before Consolidated Interest Expense, taxes, depletion, depreciation, amortization, impairment, exploration and evaluation expense and is also adjusted to exclude non-recurring items and other non-cash items including unrealized mark-to-market amounts on derivatives, unrealized foreign exchange, share-based compensation expense and accretion.

Consolidated Interest Expense is reduced by any interest income and other customary exclusions and is calculated on a trailing twelve-month basis.

Paramount had letters of credit outstanding under the Paramount Facility totaling $2.9 million at March 31, 2020 that reduce the amount available to be drawn on the Paramount Facility.

Unsecured Letter of Credit Facility

Paramount has a $40 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank under which $36.3 million of letters of credit were outstanding at March 31, 2020. Paramount's obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada ("EDC"). The PSG is valid to July 31, 2020 and may be extended from time-to-time at the option of Paramount and with the agreement of EDC.

Interest Rate Swaps

The Company had the following floating-to-fixed interest rate swaps in place at March 31, 2020:

Contract Type	Aggregate notional	Maturity Date	Fixed Contract Rate	Reference	Fair value
Interest Rate Swap	$250 million	January 2023	2.3%	CDOR	(10.8)
Interest Rate Swap	$250 million	January 2026	2.4%	CDOR	(20.7)
					(31.5)

In 2019, Paramount entered into interest rate swap contracts to manage the uncertainty of variable interest rates by fixing the underlying Canadian dollar offered rate ("CDOR") of interest on a portion of the Company's long-term debt. The Company classified these arrangements as cash flow hedges and has applied hedge accounting. As at March 31, 2020, there were no changes to the critical terms of the hedging relationship and no hedge ineffectiveness was identified.

Share Capital

In November 2019, Paramount issued 5.9 million Common Shares on a "flow-through" basis in respect of Canadian development expenses at a price of $6.65 per share for gross proceeds of $39.2 million. The Company has incurred sufficient qualifying expenditures to satisfy commitments associated with the issuance.

Paramount implemented a normal course issuer bid program in January 2020. The Company has not purchased any Common Shares under the program to date.

At May 9, 2020, Paramount had 133,783,857 Common Shares outstanding (net of 414,860 Common Shares held in trust under the Company's restricted share unit plan) and 10,935,979 options to acquire Common Shares outstanding, of which 3,577,889 options are exercisable.

QUARTERLY INFORMATION

	2020	2019				2018		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Petroleum and natural gas sales	**172.1**	259.9	199.8	209.2	246.1	207.4	248.5	239.7
Net income (loss)	**(235.1)**	(31.1)	141.0	(121.0)	(76.7)	(170.5)	(13.1)	(119.0)
per share – basic & diluted ($/share)	***(1.76)***	*(0.24)*	*1.08*	*(0.93)*	*(0.59)*	*(1.31)*	*(0.10)*	*(0.90)*
Cash from operating activities	**30.5**	70.5	48.6	48.1	88.5	12.4	73.8	52.0
per share – basic & diluted ($/share)	***0.23***	*0.54*	*0.37*	*0.37*	*0.68*	*0.10*	*0.56*	*0.39*
Adjusted funds flow	**33.5**	93.5	50.9	54.2	100.5	45.5	58.2	62.6
per share – basic & diluted ($/share)	***0.25***	*0.71*	*0.39*	*0.41*	*0.77*	*0.35*	*0.44*	*0.47*
Sales volumes								
Natural gas (MMcf/d)	**261.5**	299.0	296.6	309.7	308.0	315.2	303.8	334.1
Condensate and oil (Bbl/d)	**21,898**	28,516	24,761	23,312	23,679	24,898	22,868	23,815
Other NGLs (Bbl/d)	**4,539**	7,064	6,851	6,859	6,284	7,059	6,963	7,242
Total (Boe/d)	**70,022**	85,411	81,046	81,793	81,296	84,495	80,471	86,741
Average realized price								
Natural gas ($/Mcf)	**2.25**	2.73	1.58	1.76	3.37	2.73	1.93	1.71
Condensate and oil ($/Bbl)	**55.92**	66.70	65.73	71.02	63.26	45.54	79.83	77.25
Other NGLs ($/Bbl)	**10.75**	13.03	9.78	11.01	28.55	31.39	32.16	27.35
Total ($/Boe)	**27.01**	33.08	26.80	28.10	33.63	26.68	33.57	30.37

Significant Items Impacting Quarterly Results

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

- The first quarter 2020 loss includes a $191.8 million impairment of petroleum and natural gas assets, and a derecognition of $130.0 million of the deferred income tax asset, partially offset by a recovery of $94.8 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 property, plant and equipment.

- The fourth quarter 2019 loss includes a recovery of $33.8 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 property, plant and equipment.
- Third quarter 2019 earnings include a $157.3 million gain on the sale of oil and gas assets, primarily related to the Midstream Transaction and 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 property, plant and equipment.
- 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 and a recovery of $120.4 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 property, plant and equipment.
- The third quarter 2018 loss includes a $48.8 million gain on the sale of oil and gas assets and a $31.1 million loss on financial commodity contracts.
- The second quarter 2018 loss includes an $84.6 million loss on financial commodity contracts.

OTHER INFORMATION

Contingencies

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

Tax and royalty legislation and regulations, and government interpretation and administration thereof, continually change. As a result, there are often tax and royalty matters under review by 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.

Provision

In the first quarter of 2020, a provision of $4.7 million was recorded related to a pending partner dispute.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the three months ended March 31, 2020, 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. Paramount does not believe that remote work arrangements or any other process changes adopted in connection with the COVID-19 pandemic have materially affected 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.

CRITICAL ACCOUNTING ESTIMATES

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

The course of the COVID-19 pandemic is highly uncertain. The ultimate impact of the pandemic on Paramount's future operations and financial performance is currently unknown and will be dependent on a number of unpredictable factors outside of the knowledge and control of Management, including: (i) the duration and severity of the pandemic; (ii) the impact of the pandemic on economic growth, commodity prices and financial and capital markets; and (iii) governmental responses and restrictions. These uncertainties may continue to persist beyond the point where the initial outbreak of the COVID-19 virus has subsided. The potential impact of the COVID-19 pandemic has been considered by Management in making judgments, estimates and assumptions used in the preparation of the Interim Financial Statements, but the inherent risks and uncertainties resulting from the pandemic may result in material changes to such judgments, estimates and assumptions in future financial periods as additional information becomes available.

Note 3 to the Annual Financial Statements contains a description of the accounting judgments, estimates and assumptions that are considered significant. Current conditions have increased the complexity in making judgments, estimates and assumptions used to prepare the Interim Financial Statements, particularly related to: (i) estimating recoverable amounts used in impairment and impairment reversal assessments; (ii) estimating the fair value of the Company's investments in securities of corporations that are not publicly traded; (iii) estimating the weighted average credit-adjusted risk-free discount rate used to discount asset retirement obligations; and (iv) assessing the likelihood of realizing deferred income tax assets.

RISK FACTORS

The following risk factor supplements the "Risk Factors" section in the Company's Annual Information Form for the year ended December 31, 2019, which is available under the Company's profile on SEDAR at www.sedar.com.

The COVID-19 pandemic and current adverse pricing conditions for Liquids increase the Company's exposure to many of the risks described under "Risk Factors" in the Company's 2019 Annual Information Form, including, but not limited to, the risks described therein under "Volatility of Oil, NGLs and Natural Gas Prices and Price Differentials", "Credit Facility and Indebtedness", "Access to Capital and Funding of Expenditures" and "Reserves Estimates". Readers are encouraged to review such Risk Factors in conjunction with the disclosure contained in this MD&A.

There is a risk that the COVID-19 pandemic and the response thereto may result in a prolonged continuation of adverse pricing conditions for commodities, storage constraints, increased volatility in financial markets and foreign currency exchange rates, significantly depressed share prices, health restrictions or guidelines adversely affecting the ability of Paramount or third parties to efficiently conduct operations and/or an overall slowdown in the national and global economy. These and other risks associated with the COVID-19 pandemic could result in events and circumstances that have a material adverse impact on Paramount's business, assets, financial condition and results of operations, including, but not limited to: (i) reductions in revenue and adjusted funds flow; (ii) reduced liquidity; (iii) the shut-in or curtailment of production; (iv) reductions in capital expenditures; (v) the recording of further impairments of petroleum and natural gas assets and derecognitions of deferred tax assets; (vi) reductions in reserves volumes and values; (vii) supply chain interruptions; (viii) restricted access to capital and/or increased costs of capital; (ix) delay of planned operations; (x) non-compliance with the financial covenants under the Paramount Facility; (xi) counterparties being unable to fulfill their contractual obligations; and (xii) disruptions to the availability of required processing and transportation capacity.

The course of the COVID-19 pandemic remains highly uncertain. The extent to which COVID-19 impacts Paramount's business, assets, financial condition and results of operations will depend on future developments which are currently unknown and are difficult to predict, including, but not limited to, the duration and severity of the pandemic, the impact of the pandemic on economic growth, commodity prices and financial and capital markets and governmental responses and restrictions. The adverse impacts of the COVID-19 pandemic may be more significant in upcoming financial periods as compared with the first quarter of 2020. Even after the COVID-19 pandemic has subsided, Paramount may continue to experience materially adverse effects as a result of the pandemic's global economic impact.

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:

- planned capital expenditures in 2020;
- expected reductions in costs and expenditures;
- planned exploration, development and production activities;
- planned abandonment and reclamation expenditures;
- the expectation that new water disposal wells will reduce operating costs at Karr;
- the availability of the Paramount Facility and the expected utilization of credit capacity under the Paramount Facility for any additional liquidity required to fund expenditures and the adjusted working capital deficit;
- the expectation that negotiations for financial covenant relief under the Paramount Facility will be successful and the terms thereof;
- the anticipation that legal proceedings will not have a material impact on Paramount's financial position; and
- COVID-19 pandemic response measures and the potential impacts of the pandemic.

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 and the potential impact of the COVID-19 pandemic thereon;
- the likely impact of the COVID-19 pandemic on operations;
- the likely result of negotiations for financial covenant relief under the Paramount Facility;
- the ability to realize expected cost savings;
- the ability to successfully implement measures to reduce costs and expenses;

- 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, fractionation and storage capacity on acceptable terms and the capacity and reliability of facilities;
- 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 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 natural gas and liquids prices, including in relation to the impact of the COVID-19 pandemic;
- the risk that negotiations for financial covenant relief under the Paramount Facility will not be successful and the risks set out under "Risk Factors - Credit Facility and Indebtedness" in Paramount's annual information form;
- changes in capital spending plans and planned exploration and development activities;
- changes in foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future revenue, future production, reserves 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, fractionation, and storage capacity on acceptable terms;
- operational risks in exploring for, developing, producing and transporting natural gas and liquids, including the risk of spills, leaks or blowouts;
- the ability to obtain equipment, 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 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 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, 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 to obtain 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, 2019, 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.

Non-GAAP Measures

In this document, "Adjusted funds flow", "Netback", "Net debt", "Adjusted working capital" and "Total capital expenditures", 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 and provision and other. 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 obligation 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 managing 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, 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”.

“Total capital expenditures” refers to the Company’s property, plant and equipment and exploration 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

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

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
MMbtu	Millions of British thermal units
AECO	AECO-C reference price
NYMEX	New York Mercantile Exchange
WTI	West Texas Intermediate

This MD&A contains disclosures expressed as "Boe", "$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the three months ended March 31, 2020, the value ratio between crude oil and natural gas was approximately 26:1. 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.

Interim Condensed Consolidated Financial Statements (Unaudited)
As at and for the three months ended March 31, 2020

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

($ thousands)

As at	Note	March 31 2020	December 31 2019
		(Unaudited)	
ASSETS			
Current assets			
Cash and cash equivalents	14	**5,668**	6,016
Accounts receivable		**70,580**	118,632
Risk management – current	11	**41,404**	6,062
Prepaid expenses and other		**9,528**	10,975
		127,180	141,685
Lease receivable	6	**4,727**	4,768
Exploration and evaluation	2	**642,506**	650,414
Property, plant and equipment, net	3	**1,633,623**	1,914,074
Investments in securities	4	**38,006**	156,889
Deferred income tax	10	**563,501**	663,475
		3,009,543	3,531,305
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**204,065**	204,818
Risk management – current	11	**8,696**	1,757
Asset retirement obligations and other – current	6	**25,322**	40,288
		238,083	246,863
Long-term debt	5	**651,485**	632,300
Risk management – long-term	11	**22,845**	6,275
Asset retirement obligations and other – long-term	6	**380,700**	562,687
		1,293,113	1,448,125
Commitments and contingencies	15		
Shareholders' equity			
Share capital	7	**2,207,324**	2,207,485
Accumulated deficit		**(377,569)**	(128,487)
Reserves	8	**(113,325)**	4,182
		1,716,430	2,083,180
		3,009,543	3,531,305

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

($ thousands, except as noted)

Three months ended March 31	Note	2020	2019
Petroleum and natural gas sales		172,090	246,054
Royalties		(11,683)	(15,399)
Revenue	12	160,407	230,655
Gain (loss) on commodity contracts	11	42,324	(72,681)
		202,731	157,974
Expenses			
Operating expense		92,336	90,383
Transportation and NGLs processing		23,603	24,576
General and administrative		10,183	13,721
Share-based compensation	9	14	4,887
Depletion and depreciation	3	264,933	80,697
Exploration and evaluation	2	11,930	5,094
Gain on sale of oil and gas assets		(2,306)	(5,985)
Interest and financing	11	9,482	9,225
Accretion of asset retirement obligations	6	10,470	14,511
Change in asset retirement obligations	6	(94,828)	–
Closure costs	6	–	13,440
Foreign exchange		(753)	11
		325,064	250,560
Change in fair value of securities – warrants	4	(1,549)	–
Other income (loss)		(4,484)	1,996
Loss before tax		(128,366)	(90,590)
Income tax expense (recovery)			
Deferred	10	106,716	(13,914)
		106,716	(13,914)
Net loss		(235,082)	(76,676)
Other comprehensive loss, net of tax	8		
Items that will be reclassified to net income (loss)			
Change in fair value of interest rate swaps, net of tax		(18,363)	(9,107)
Reclassification to net income (loss), net of tax		467	–
Items that will not be reclassified to net income (loss)			
Change in fair value of securities, net of tax	4	(115,666)	(7,403)
Comprehensive loss		(368,644)	(93,186)
Net loss per common share ($/share)	7		
Basic and diluted		(1.76)	(0.59)

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

($ thousands, except as noted)

Three months ended March 31	Note	2020	2019
Operating activities			
Net loss		(235,082)	(76,676)
Add (deduct):			
Items not involving cash	14	261,575	174,129
Asset retirement obligations settled	6	(30,255)	(5,763)
Change in non-cash working capital		34,293	(3,168)
Cash from operating activities		30,531	88,522
Financing activities			
Net draw of revolving long-term debt	5	19,185	12,256
Lease liabilities - principal repayments	6	(1,876)	(1,780)
Common shares issued, net of issue costs		16	39
Cash from financing activities		17,325	10,515
Investing activities			
Property, plant and equipment and exploration		(63,849)	(104,102)
Proceeds on sale of oil and gas assets		1,488	–
Investment		(900)	–
Change in non-cash working capital		15,019	(1,233)
Cash used in investing activities		(48,242)	(105,335)
Net decrease		(386)	(6,298)
Foreign exchange on cash and cash equivalents		38	(132)
Cash and cash equivalents, beginning of period		6,016	19,295
Cash and cash equivalents, end of period		5,668	12,865
Supplemental cash flow information	14		

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

($ thousands, except as noted)

Three months ended March 31	Note	2020		2019	
		Shares (000's)		*Shares (000's)*	
Share Capital					
Balance, beginning of period		*133,337*	2,207,485	*130,326*	2,184,608
Issued		2	19	5	56
Change in vested and unvested Common Shares for restricted share unit plan	9	7	(180)	–	904
Balance, end of period		*133,346*	2,207,324	*130,331*	2,185,568
Retained Earnings (Accumulated Deficit)					
Balance, beginning of period			(128,487)		21,189
Net loss			(235,082)		(76,676)
Reclassification of accumulated losses on securities			(14,000)		–
Balance, end of period			(377,569)		(55,487)
Reserves	8				
Balance, beginning of period			4,182		44,732
Other comprehensive loss			(133,562)		(16,510)
Contributed surplus			2,055		3,214
Reclassification of accumulated losses on securities			14,000		–
Balance, end of period			(113,325)		31,436
Total Shareholders' Equity			1,716,430		2,161,517

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

1. Basis of Presentation

Paramount Resources Ltd. ("Paramount" or the "Company") is an independent, publicly traded, liquids-focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas reserves and resources. The Company also pursues longer-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.

Paramount is the ultimate parent company of a consolidated group of companies and is incorporated and domiciled in Canada. The address of its registered office is 2800, 421 – 7th Avenue S.W., Calgary, Alberta, Canada, T2P 4K9. The consolidated group includes wholly-owned subsidiaries Fox Drilling Limited Partnership, Cavalier Energy and MGM Energy. The financial statements of Paramount's subsidiaries and partnerships are prepared for the same reporting periods as the parent in accordance with the Company's accounting policies. All intercompany balances and transactions have been eliminated.

These unaudited Interim Condensed Consolidated Financial Statements of the Company, as at and for the three months ended March 31, 2020 (the "Interim Financial Statements"), were authorized for issuance by the Audit Committee of Paramount's Board of Directors on May 12, 2020.

These Interim Financial Statements have been prepared in accordance with *IAS 34 – Interim Financial Reporting* on a basis consistent with the accounting, estimation and valuation policies described in the Company's audited Consolidated Financial Statements as at and for the year ended December 31, 2019 (the "Annual Financial Statements").

These Interim Financial Statements are stated in thousands of Canadian dollars, unless otherwise noted, and have been prepared on a historical cost basis, except for certain financial instruments which are stated at fair value. Certain information and disclosures normally required to be included in the notes to the Annual Financial Statements have been condensed or omitted. These Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

Changes in Accounting Policies

Effective January 1, 2020, the Company adopted the amendments to IFRS 9 – *Financial Instruments,* IAS 39 – *Financial Instruments: Recognition and Measurement* and IFRS 7 – *Financial Instruments: Disclosures.* These amendments provide relief on hedge accounting from the potential effects of the uncertainty arising from the phase-out of interest rate benchmarks, the Interbank Offered Rate ("IBOR") reform. The Company's floating-to-fixed interest rate swaps, which are described in Note 11, are impacted by these amendments as hedge accounting is applied to these instruments and hedging relationships may be impacted by the IBOR reform. There has been no impact on the recognized assets, liabilities or comprehensive loss of the Company resulting from the adoption of these amendments.

Significant Accounting Estimates, Assumptions & Judgments

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

(Tabular amounts stated in $ thousands, except as noted)

The erosion of global demand for crude oil and petroleum products in connection with the COVID-19 pandemic, combined with disputes among members of OPEC+ concerning production levels, led to a material deterioration in oil and condensate prices received by the Company in the latter part of the quarter ended March 31, 2020. Adverse pricing conditions for oil and condensate have persisted, with the negative impact magnified in Canada by widening differentials between West Texas Intermediate and Canadian sales prices.

The course of the COVID-19 pandemic is highly uncertain. The ultimate impact of the pandemic on Paramount's future operations and financial performance is currently unknown and will be dependent on a number of unpredictable factors outside of the knowledge and control of Management, including: (i) the duration and severity of the pandemic; (ii) the impact of the pandemic on economic growth, commodity prices and financial and capital markets; and (iii) governmental responses and restrictions. These uncertainties may continue to persist beyond the point where the initial outbreak of the COVID-19 virus has subsided. The potential impact of the COVID-19 pandemic has been considered by Management in making judgments, estimates and assumptions used in the preparation of these Interim Financial Statements, but the inherent risks and uncertainties resulting from the pandemic may result in material changes to such judgments, estimates and assumptions in future financial periods as additional information becomes available.

Note 3 to the Annual Financial Statements contains a description of the accounting judgments, estimates and assumptions that are considered significant. Current conditions have increased the complexity in making judgments, estimates and assumptions used to prepare these Interim Financial Statements, particularly related to: (i) estimating recoverable amounts used in impairment and impairment reversal assessments; (ii) estimating the fair value of the Company's investments in securities of corporations that are not publicly traded; (iii) estimating the weighted average credit-adjusted risk-free discount rate used to discount asset retirement obligations; and (iv) assessing the likelihood of realizing deferred income tax assets.

2. Exploration and Evaluation

	Three months ended March 31, 2020	Twelve months ended December 31, 2019
Balance, beginning of period	**650,414**	719,908
Additions	**2,623**	5,643
Acquisitions	**–**	6,127
Change in asset retirement provision	**(1,230)**	(392)
Transfers to property, plant and equipment	**24**	(66,961)
Expired lease costs	**(9,325)**	(10,173)
Dispositions	**–**	(3,738)
Balance, end of period	**642,506**	650,414

(Tabular amounts stated in $ thousands, except as noted)

Exploration and Evaluation Expense

Three months ended March 31	2020	2019
Geological and geophysical	**2,605**	3,014
Expired lease costs	**9,325**	2,080
	11,930	5,094

At March 31, 2020, the Company assessed its exploration and evaluation assets for indicators of potential impairment or impairment reversal and none were identified.

3. Property, Plant and Equipment

Three months ended March 31, 2020	Petroleum and natural gas assets	Drilling rigs	Right-of-use assets	Other	Total
Cost					
Balance, beginning of period	3,996,107	161,189	15,960	46,702	**4,219,958**
Additions	64,205	399	(95)	724	**65,233**
Transfers from exploration and evaluation	(24)	–	–	–	**(24)**
Dispositions	(19,129)	–	–	(399)	**(19,528)**
Change in asset retirement provision	(76,653)	–	–	–	**(76,653)**
Cost, end of period	3,964,506	161,588	15,865	47,027	**4,188,986**
Accumulated depletion, depreciation and impairment					
Balance, beginning of period	(2,177,753)	(89,871)	(5,296)	(32,964)	**(2,305,884)**
Depletion and depreciation	(70,221)	(2,566)	(932)	(1,064)	**(74,783)**
Impairment	(191,796)	–	–	–	**(191,796)**
Dispositions	16,739	–	–	361	**17,100**
Accumulated depletion, depreciation and impairment, end of period	(2,423,031)	(92,437)	(6,228)	(33,667)	**(2,555,363)**
Net book value, December 31, 2019	1,818,354	71,318	10,664	13,738	**1,914,074**
Net book value, March 31, 2020	1,541,475	69,151	9,637	13,360	**1,633,623**

Depletion and Depreciation

Three months ended March 31	2020	2019
Depletion and depreciation	**73,137**	80,697
Impairment of petroleum and natural gas assets	**191,796**	–
	264,933	80,697

In light of the significant deterioration in commodity prices in connection with the COVID-19 pandemic, the Company has determined that indicators of impairment existed at March 31, 2020. An impairment test was performed at March 31, 2020 and the Company recorded impairments of $188.3 million and $3.5 million related to petroleum and natural gas assets in the Kaybob and Northern cash generating units ("CGUs"), respectively. The impairments were recorded because the carrying value of the CGUs exceeded their estimated recoverable amount, which were estimated based on expected net cash flows from the production of reserves ascribed to each CGU. The impairments resulted from decreases in estimated future net revenues, mainly due to lower forecasted oil and natural gas prices.

(Tabular amounts stated in $ thousands, except as noted)

Recoverable amounts were estimated on a fair value less cost of disposal basis using a discounted cash flow method (level three fair value hierarchy estimate). Cash flows were determined based on internally estimated after-tax discounted future net cash flows from the production of proved plus probable reserves assigned to the Kaybob and Northern CGUs, at discount rates of 11.5 percent and 13.5 percent, respectively. The net cash flows from the reserves estimated by Paramount's independent qualified reserves evaluator as at December 31, 2019 were internally updated by Management to reflect commodity price estimates at March 31, 2020 and for changes to certain operating and capital assumptions to reflect the current economic environment. The reserves process is inherently subjective and involves considerable estimation uncertainty.

The following table sets out the forecast benchmark commodity prices and exchange rates used to determine estimated recoverable amounts(1):

(Average for the period)	(Apr-Dec) 2020	2021	2022	2023	2024	2025-2032	Thereafter
Natural Gas (2)							
AECO ($/MMBtu)	1.74	2.20	2.38	2.45	2.53	2.60-3.04	+2%/yr
Henry Hub (US$/MMBtu)	2.10	2.58	2.79	2.86	2.93	3.00-3.45	+2%/yr
Liquids (2)							
Edmonton Condensate ($/Bbl)	34.35	50.72	62.80	68.49	71.73	73.16-84.23	+2%/yr
WTI (US$/Bbl)	29.17	40.45	49.17	53.28	55.66	56.87-65.33	+2%/yr
Foreign Exchange							
$US / 1 $CDN	0.71	0.73	0.75	0.75	0.75	0.75	0.75

(1) Average of forecasts published by: (i) McDaniel & Associates Consultants Ltd. and GLJ Petroleum Consultants Ltd. at April 1, 2020 and (ii) Sproule Associates Ltd. at March 31, 2020.
(2) Forecast benchmark prices are adjusted for quality differentials, heat content, distance to market and other factors in determining estimated recoverable amounts.

4. Investments in Securities

As at	March 31, 2020	December 31, 2019
Level one fair value hierarchy securities	17,252	88,439
Level three fair value hierarchy securities	20,754	68,450
	38,006	156,889

Investments in level one fair value hierarchy securities ("Level One Securities") are carried at their period-end trading price. Estimates of fair values for investments in level three fair value hierarchy securities ("Level Three Securities") are based on valuation techniques that incorporate unobservable inputs (level three fair value hierarchy 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 including financial and operational 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.

At March 31, 2020, the Company recorded a charge of $118.2 million to other comprehensive income ("OCI") as a result of changes in the fair value estimates of Level One Securities and Level Three Securities and a charge to earnings of $1.5 million related to a change in the estimated fair value of Strath Resources Ltd. ("Strath") warrants.

(Tabular amounts stated in $ thousands, except as noted)

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

	Three months ended March 31, 2020	Twelve months ended December 31, 2019
Investments in securities, beginning of period	156,889	231,732
Changes in fair value of Level One Securities – recorded in OCI	(72,087)	6,330
Changes in fair value of Level Three Securities [1] – recorded in OCI	(46,147)	(118,104)
Changes in fair value of Strath warrants – recorded in earnings	(1,549)	(9,162)
Acquired – cash	900	55,143
Acquired – non-cash	–	4,501
Dispositions	–	(13,551)
Investments in securities, end of period	38,006	156,889

(1) Primarily related to the change in fair value of 85 million Strath common shares and excluding Strath warrants.

5. Long-Term Debt

As at	March 31, 2020	December 31, 2019
Paramount Facility	651,485	632,300

Paramount Facility

The Company has a $1.5 billion financial covenant-based senior secured revolving bank credit facility (the "Paramount 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.

Borrowings under the Paramount Facility bear interest at the lenders' prime lending rate, US base rate, bankers' acceptance rate, or LIBOR, as selected at the discretion of the Company, plus an applicable margin which is dependent upon 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 Paramount, excluding the assets of Cavalier Energy and Fox Drilling.

Paramount is subject to the following two financial covenants under the Paramount Facility, which are tested at the end of each fiscal quarter:

i. Senior Secured Debt to Consolidated EBITDA to be 3.50 to 1.00 or less; and

ii. Consolidated EBITDA to Consolidated Interest Expense to be 2.50 to 1.00 or greater.

Senior Secured Debt currently consists of amounts drawn under the Paramount Facility and the undrawn face amounts of letters of credit outstanding under the Paramount Facility.

Consolidated EBITDA is determined on a trailing twelve month basis, is adjusted for material acquisitions and dispositions, and is generally calculated as net income before Consolidated Interest Expense, taxes, depletion, depreciation, amortization, impairment, exploration and evaluation expense and is also adjusted to exclude non-recurring items and other non-cash items including unrealized mark-to-market amounts on derivatives, unrealized foreign exchange, share-based compensation expense and accretion.

Consolidated Interest Expense is reduced by any interest income and other customary exclusions and is calculated on a trailing twelve-month basis.

(Tabular amounts stated in $ thousands, except as noted)

As at March 31, 2020, Paramount was in compliance with the financial covenants under the Paramount Facility. The current adverse pricing conditions for oil and condensate that have arisen in connection with the COVID-19 pandemic have resulted in a risk of non-compliance with the financial covenants in future periods. In response to such risk, Paramount has initiated negotiations for financial covenant relief, which negotiations remain ongoing. Paramount anticipates that any agreement for such relief will include a reduction in the size of the Paramount Facility, among other changes. Although Paramount expects that such negotiations will be successful, there is no assurance that an agreement will be reached on acceptable terms.

Paramount had letters of credit outstanding under the Paramount Facility totaling $2.9 million at March 31, 2020 that reduce the amount available to be drawn on the Paramount Facility.

Unsecured Letter of Credit Facility

Paramount has a $40 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank under which $36.3 million of letters of credit were outstanding at March 31, 2020. Paramount's obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada ("EDC"). The PSG is valid to July 31, 2020 and may be extended from time-to-time at the option of Paramount and with the agreement of EDC.

6. Asset Retirement Obligations and Other

As at March 31, 2020	Current	Long-term	Total
Asset retirement obligations	15,200	361,436	376,636
Lease liabilities	9,939	19,264	29,203
Other	183	–	183
Asset retirement obligations and other	**25,322**	**380,700**	**406,022**

As at December 31, 2019	Current	Long-term	Total
Asset retirement obligations	29,000	540,897	569,897
Lease liabilities	9,851	21,790	31,641
Flow-through share renunciation obligations	1,437	–	1,437
Asset retirement obligations and other	**40,288**	**562,687**	**602,975**

Asset Retirement Obligations

	Three months ended March 31, 2020	Twelve months ended December 31, 2019
Asset retirement obligations, beginning of period	569,897	807,921
Additions	362	11,705
Change in estimates (1)	5,350	(171,404)
Change in discount rate	(178,423)	(33,269)
Obligations settled	(30,255)	(29,441)
Dispositions	(765)	(72,273)
Accretion expense	10,470	56,658
Asset retirement obligations, end of period	376,636	569,897

(1) Relates to changes in estimated costs and anticipated settlement dates of asset retirement obligations.

As at March 31, 2020, estimated undiscounted, uninflated asset retirement obligations were $1,358.2 million (December 31, 2019 – $1,381.5 million). Asset retirement obligations have been determined using a weighted average credit-adjusted risk-free discount rate of 12.0 percent (December 31, 2019 – 8.0 percent) and an inflation rate of 2.0 percent (December 31, 2019 – 2.0 percent).

For the three months ended March 31, 2020, the Company recorded a recovery of $94.8 million (three months ended March 31, 2019 - $nil) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment. The changes resulted from a revision in the weighted average credit-adjusted risk-free rate used to discount obligations.

Lease Liabilities

Paramount has lease liabilities in respect of office space and vehicles, which have been recognized at the discounted value of the remaining fixed lease payments. For the three months ended March 31, 2020, total cash payments made in respect of these lease liabilities, net of sublease arrangements, were $2.2 million, of which $0.3 million was recognized as interest and financing expense.

For the three months ended March 31, 2020, expenses related to arrangements containing variable operating costs, short-term and low value leases which have not been included in the lease liability were approximately $1.0 million.

As at March 31, 2020, $6.8 million was due to the Company in respect of sublease arrangements for Paramount's office space, of which $2.1 million was classified as current and $4.7 million was classified as non-current. For the three months ended March 31, 2020, $0.6 million was received in respect of office sublease arrangements, of which $0.1 million was recognized as interest revenue.

Closure costs

In the first quarter of 2019, the Company made the decision to cease its production operations at the Zama property in northern Alberta and commenced a closure program at the property. The Company recognized a provision of $13.4 million as at March 31, 2019 in respect of the expected costs of the closure program.

7. Share Capital

As at March 31, 2020, 133,346,365 (December 31, 2019 – 133,337,058) class A common shares of the Company ("Common Shares") were outstanding, net of 852,352 (December 31, 2019 – 859,659) Common Shares held in trust under the restricted share unit plan.

In January 2020, Paramount implemented a normal course issuer bid program (the "2020 NCIB") under which the Company may purchase up to 7,044,289 Common Shares for cancellation. The 2020 NCIB will terminate on the earlier of: (i) January 5, 2021; and (ii) the date on which the maximum number of Common Shares that can be acquired pursuant to the 2020 NCIB are purchased. The Company has not purchased any Common Shares under the 2020 NCIB to March 31, 2020.

Paramount has incurred sufficient qualifying expenditures to satisfy commitments associated with Canadian development expense flow-through Common Shares issued in November 2019.

Weighted Average Common Shares

Three months ended March 31	2020		2019	
	Wtd. Avg. Shares (000's)	**Net loss**	*Wtd. Avg. Shares (000's)*	Net loss
Net loss – basic	***133,345***	**(235,082)**	*130,326*	(76,676)
Dilutive effect of Paramount Options	**–**	**–**	–	–
Net loss – diluted	***133,345***	**(235,082)**	*130,326*	(76,676)

Outstanding stock options that can be exchanged for the Company's Common Shares are potentially dilutive and are included in Paramount's diluted per share calculations when they are dilutive to net income per share. There were 12.0 million options to acquire Common Shares ("Paramount Options") outstanding at March 31, 2020 (March 31, 2019 – 12.2 million), all of which were anti-dilutive.

8. Reserves

Three months ended March 31, 2020	Unrealized losses on interest rate swaps	Unrealized gains (losses) on securities	Contributed surplus	Total reserves
Balance, beginning of period	(6,160)	(147,674)	158,016	**4,182**
Other comprehensive loss, before tax	(23,508)	(118,234)	–	**(141,742)**
Deferred tax	5,612	2,568	–	**8,180**
Reclassification of accumulated losses on securities, net of tax	–	14,000	–	**14,000**
Share-based compensation	–	–	2,059	**2,059**
Paramount Options exercised	–	–	(4)	**(4)**
Balance, end of period	**(24,056)**	**(249,340)**	**160,071**	**(113,325)**

For the three months ended March 31, 2020, $14.0 million of accumulated losses were reclassified from accumulated OCI to retained earnings as a result of the derecognition of an investment classified as a Level One Security.

9. Share-Based Compensation

Paramount Options

	Three months ended March 31, 2020		Twelve months ended December 31, 2019	
	Number	Weighted average exercise price ($/share)	*Number*	Weighted average exercise price ($/share)
Balance, beginning of period	*12,311,462*	12.16	*12,465,163*	15.67
Granted	*10,000*	7.50	*3,565,930*	6.66
Exercised (1)	*(2,000)*	7.28	*(21,430)*	7.84
Cancelled or forfeited	*(273,353)*	13.90	*(3,683,801)*	18.73
Expired	*–*	–	*(14,400)*	11.90
Balance, end of period	*12,046,109*	12.12	*12,311,462*	12.16
Options exercisable, end of period	*4,322,713*	14.98	*4,442,966*	15.00

(1) For Paramount Options exercised during the three months ended March 31, 2020, the weighted average market price of Paramount's Common Shares on the dates exercised was $7.77 per share (twelve months ended December 31, 2019 – $8.55 per share).

Restricted Share Unit Plan – Shares Held in Trust

	Three months ended March 31, 2020		Twelve months ended December 31, 2019	
	Shares (000's)		*Shares (000's)*	
Balance, beginning of period	*860*	1,388	*574*	2,209
Shares purchased	*–*	–	*713*	4,516
Change in vested and unvested shares	*(7)*	180	*(427)*	(5,337)
Balance, end of period	*853*	1,568	*860*	1,388

10. Income Tax

The following table reconciles income taxes calculated at the Canadian statutory rate to Paramount's recorded income tax expense (recovery):

Three months ended March 31	**2020**	**2019**
Loss before tax	(128,366)	(90,590)
Effective Canadian statutory income tax rate	25.1%	27.0%
Expected income tax recovery	(32,220)	(24,459)
Effect on income taxes of:		
Change in statutory and other rates	4,495	–
Change in value of investments	389	–
Derecognition of deferred income tax asset	129,960	238
Share-based compensation	517	873
Flow-through share renunciations	3,617	–
Non-deductible items and other	(42)	9,434
Income tax expense (recovery)	106,716	(13,914)

(Tabular amounts stated in $ thousands, except as noted)

At each reporting date, Paramount assesses the recoverability of the deferred income tax asset to determine whether it is more likely than not that the carrying value of the asset will be realized. As at March 31, 2020, the Company determined that a portion of the carrying value of the deferred income tax asset was not probable of realization and, accordingly, $130.0 million of the deferred income tax asset was derecognized.

11. Financial Instruments and Risk Management

Financial Instruments

Financial instruments at March 31, 2020 consist of cash and cash equivalents, accounts receivable, risk management assets and liabilities, investments in securities, accounts payable and accrued liabilities and the Paramount Facility. The carrying values of these financial instruments approximate their fair values.

Risk Management

As at	March 31, 2020	December 31, 2019
Financial commodity contracts – current	41,404	6,062
Risk management asset	41,404	6,062

As at	March 31, 2020	December 31, 2019
Interest rate swaps – current	(8,696)	(1,757)
Interest rate swaps – long-term	(22,845)	(6,275)
Risk management liability	(31,541)	(8,032)

The Company is exposed to market risks from changes in commodity prices, interest rates, foreign currency rates, credit risk and liquidity risk. From time-to-time, Paramount enters into derivative financial instruments to manage these risks.

The fair values of risk management financial instruments are estimated using a market approach incorporating level two fair value hierarchy inputs, including forward market curves and price quotes for similar instruments, provided by financial institutions.

Changes in the fair value of risk management assets are as follows:

	Three months ended March 31, 2020	Twelve months ended December 31, 2019
Fair value, beginning of period	6,062	64,441
Changes in fair value – financial commodity contracts	42,324	(45,169)
Settlements received – financial commodity contracts	(6,982)	(13,210)
Fair value, end of period	41,404	6,062

Changes in the fair value of risk management liabilities are as follows:

	Three months ended March 31, 2020	Twelve months ended December 31, 2019
Fair value, beginning of period	(8,032)	–
Changes in fair value – interest rate swaps	(24,121)	(9,568)
Settlements paid – interest rate swaps	612	1,536
Fair value, end of period	(31,541)	(8,032)

(Tabular amounts stated in $ thousands, except as noted)

The Company had the following financial commodity contracts in place as at March 31, 2020:

Instruments	Aggregate notional	Average fixed price	Fair value	Remaining term
Oil – NYMEX WTI Swaps (Sale)	4,000 Bbl/d	CDN$80.11/Bbl	41,404	April 2020 – December 2020
			41,404	

Subsequent to March 31, 2020, the Company entered into the following financial commodity contracts:

Instruments	Aggregate notional	Average fixed price	Remaining term
Gas – NYMEX Swaps (Sale)	10,000 MMBtu/d	US$2.93/MMBtu	November 2020 to March 2021
Gas – NYMEX Swaps (Sale)	20,000 MMBtu/d	US$2.75/MMBtu	January 2021 to December 2021
Oil – NYMEX WTI Swaps (Sale)	6,000 Bbl/d	CDN$38.78/Bbl	May 2020
Oil – NYMEX WTI Swaps (Sale)	6,000 Bbl/d	CDN$40.15/Bbl	June 2020

The Company had the following floating-to-fixed interest rate swaps in place as at March 31, 2020:

Contract Type	Aggregate notional	Maturity Date	Fixed Contract Rate	Reference	Fair value
Interest Rate Swap	$250 million	January 2023	2.3%	CDOR (1)	(10,818)
Interest Rate Swap	$250 million	January 2026	2.4%	CDOR (1)	(20,723)
					(31,541)

(1) Canadian Dollar Offered Rate

The Company classified its floating-to-fixed interest rate swaps as cash flow hedges and has applied hedge accounting. As at March 31, 2020, there were no changes to the critical terms of the hedging relationship and no hedge ineffectiveness was identified.

12. Revenue By Product

Three months ended March 31	2020	2019
Natural gas	53,603	93,347
Condensate and oil	111,442	134,805
Other natural gas liquids	4,442	16,148
Royalty and sulphur	2,603	1,754
Royalties expense	(11,683)	(15,399)
	160,407	230,655

13. Other Income (Loss)

Three months ended March 31	2020	2019
Interest income	50	124
Provision	(4,669)	–
Other	135	1,872
	(4,484)	1,996

In the first quarter of 2020, a provision of $4.7 million was recorded related to a pending partner dispute.

(Tabular amounts stated in $ thousands, except as noted)

14. Consolidated Statement of Cash Flows - Selected Information

Items Not Involving Cash

Three months ended March 31	2020	2019
Commodity contracts	(35,342)	78,282
Share-based compensation	14	4,887
Depletion and depreciation	264,933	80,697
Exploration and evaluation	9,325	2,080
Gain on sale of oil and gas assets	(2,306)	(5,985)
Accretion of asset retirement obligations	10,470	14,511
Change in asset retirement obligations	(94,828)	–
Closure costs	–	13,440
Foreign exchange	(50)	132
Change in fair value of securities - warrants	1,549	–
Deferred income tax	106,716	(13,914)
Other	1,094	(1)
	261,575	174,129

Supplemental Cash Flow Information

Three months ended March 31	2020	2019
Interest paid	7,622	8,342

Components of Cash and Cash Equivalents

As at	March 31, 2020	December 31, 2019
Cash	5,668	6,016
Cash equivalents	–	–
	5,668	6,016

15. Commitments and Contingencies

Commitments – Physical Sale Contracts

As at March 31, 2020 the Company had AECO fixed-price physical contracts in place to sell 80,000 GJ/d of natural gas at a price of $1.61/GJ from April 2020 to October 2020.

Subsequent to March 31, 2020, the Company entered into the following AECO fixed-price physical contracts:

Quantity	Fixed price	Remaining term
10,000 GJ/d	$2.11/GJ	May 2020 to October 2020
10,000 GJ/d	$2.65/GJ	November 2020 to March 2021
20,000 GJ/d	$2.50/GJ	January 2021 to December 2021

Contingencies

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

Tax and royalty legislation and regulations, and government interpretation and administration thereof, continually change. As a result, there are often tax and royalty matters under review by 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.

Dispute Settlements

In the first quarter of 2020, Paramount reached an agreement to settle its dispute with respect to an alleged obligation to contribute to the costs related to the remediation of a release from a non-operated pipeline. Also in the first quarter of 2020, but unrelated to this settlement, the Company reached an agreement to settle a legal action involving the Company as plaintiff against a third-party supplier respecting defective products and services provided to the Company. The Company recognized a charge of $2.5 million in the fourth quarter of 2019 in respect of these settlements.

CORPORATE INFORMATION

EXECUTIVE OFFICERS

J. H. T. Riddell
Chairman and President and Chief Executive Officer

B. K. Lee
Executive Vice President, Finance

P. R. Kinvig
Chief Financial Officer

E. M. Shier
General Counsel, Corporate Secretary and Vice President, Land

D. B. Reid
Executive Vice President, Operations

R. R. Sousa
Executive Vice President, Corporate Development and Planning

J. B. Williams
Executive Vice President, Kaybob Region

DIRECTORS

J. H. T. Riddell (2)
Chairman and President and Chief Executive Officer
Paramount Resources Ltd.
Calgary, Alberta

J. G. M. Bell (1) (3) (4)
President and Chief Executive Officer
Founders Advantage Capital Corp.
Calgary, Alberta

W. A. Gobert (3) (4) (5)
Independent Businessman
Calgary, Alberta

J. C. Gorman (1) (4) (5)
Independent Businessman
Calgary, Alberta

D. Jungé C.F.A. (2) (4)
Independent Businessman
Bryn Athyn, Pennsylvania

R. M. MacDonald (1) (3) (4)
Independent Businessman
Oakville, Ontario

R. K. MacLeod (2) (4) (5)
Independent Businessman
Calgary, Alberta

S. L. Riddell Rose
President and Chief Executive Officer
Perpetual Energy Inc.
Calgary, Alberta

(1) Member of Audit Committee
(2) Member of Environmental, Health and Safety Committee
(3) Member of Compensation Committee
(4) Member of Corporate Governance Committee
(5) Member of Reserves Committee

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BANKS

Bank of Montreal

The Bank of Nova Scotia

HSBC Bank Canada

Royal Bank of Canada

Canadian Imperial Bank of Commerce

National Bank of Canada

ATB Financial

The Toronto-Dominion Bank

Export Development Canada

RESERVES EVALUATORS

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

AUDITORS

Ernst & Young LLP
Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
(“POU”)