Third Quarter 2020 Results

Paramount Resources Ltd. Reports Third Quarter 2020 Results

Calgary, Alberta – November 5, 2020

HIGHLIGHTS

- Sales volumes averaged 61,064 Boe/d (39 percent liquids) in the third quarter of 2020 compared to 68,839 Boe/d (39 percent liquids) in the second quarter.
  - Third quarter sales volumes at Karr averaged 19,246 Boe/d (57 percent liquids) compared to 16,009 Boe/d (52 percent liquids) in the second quarter.
  - At Wapiti, third quarter sales volumes were 7,925 Boe/d (63 percent liquids), approximately 7,000 Boe/d lower than the second quarter, due to an unplanned six-week outage at a third-party natural gas processing facility in the Wapiti field (the "Wapiti Plant"). Paramount is pursuing a claim under its contingent business interruption insurance policy related to the outage. The policy has a 30-day waiting period and recoveries are expected to exceed $5 million.
- At Karr, the five wells on the 2-1 pad were brought on production through permanent facilities in early September. Average gross peak 30-day production per well was 1,463 Boe/d, including 735 Bbl/d of wellhead liquids, with an average wellhead CGR of 168 Bbl/MMcf.(1)
- Despite lower production, Paramount's netback was $44.3 million in the third quarter of 2020 compared to $21.7 million in the second quarter of 2020, reflecting higher liquids prices.(2)
- Cash from operating activities was $11.4 million in the third quarter of 2020. Adjusted funds flow was $29.5 million or $0.22 per share.(2)
- Third quarter capital spending totaled $50.5 million, primarily related to drilling and completion activities at Karr. Spending included a portion of the previously-announced acceleration of certain activities from 2021.
- The Company continues to realize significant cost savings in its capital program through its focus on well design, increased efficiencies and lower vendor rates, while not compromising on completion effectiveness:
  - All-in lease construction, drilling, completion, equip and tie-in (collectively, "DCET") costs for the five-well (all Middle Montney) Karr 2-1 pad averaged $7.3 million per well, $0.2 million lower

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(1) Production measured at the wellhead. Natural gas sales volumes are lower by approximately 7 percent and liquids sales volumes are lower by approximately 7 percent due to shrinkage. Excludes days when the wells did not produce. The production rates and volumes stated are 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. CGRs are calculated by dividing raw wellhead liquids volumes by raw wellhead natural gas volumes. 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.

than prior estimates. This represents a 39 percent reduction compared with average DCET costs for Karr wells in 2018 and 2019.

  - Completion activities at the five-well (three Upper Montney and two Middle Montney) Karr 5-16 West pad have recently been concluded and preliminary lease construction, drilling and completion costs are estimated at $7.2 million per well.

  - At Wapiti, completion activities at the five-well (two Middle Montney and three Lower Montney) 5-3 West pad were recently concluded. The Company estimates preliminary lease construction, drilling and completion costs of $7.3 million per well. Despite higher fluid and proppant intensity, estimated completion costs are approximately 30 percent lower than the 2019 5-3 East pad due to improved efficiencies and optimized completion design.

- Paramount, in collaboration with its vendors, has received approval for up to approximately $10 million of funding under the Alberta Site Rehabilitation Program ("ASRP") to date. It is anticipated that approximately $4 million of abandonment and reclamation work under the ASRP will occur in the fourth quarter of 2020, with the remainder to be undertaken in 2021.

- The Company has completed the installation of the remaining low-bleed controllers in the Grande Prairie Region which brings the high-bleed emission reduction project to completion across the organization. In total, 1,900 high-bleed controllers have been replaced, reducing annual GHG emissions by an estimated 75,000 tonnes of carbon dioxide equivalent ("CO_2e").(1)

CORPORATE

- Paramount has now exceeded its previously announced 2020 cost reduction targets of $25 million in operating costs and $15 million in general and administrative expenses.

  - Operating costs averaged $11.10/Boe in the third quarter of 2020. Fourth quarter operating costs are now anticipated to average approximately $11.50/Boe as a result of higher fourth quarter production and the Company's continued efforts in sustainably improving its cost structure.

- The Company is maintaining its 2020 capital guidance of $225 million.

- Paramount has largely brought back production that was previously shut-in due to the deterioration of commodity prices in the second quarter.

- Paramount is increasing the mid-point of its production guidance, with sales volumes anticipated to average between 70,000 Boe/d and 72,000 Boe/d in the fourth quarter of 2020, reflecting the Company's confidence in the onstream timing of new wells.

- Long-term debt at September 30, 2020 was $792.7 million.

- Paramount has undertaken an active hedging program and in the third quarter added several additional hedges to provide greater funds flow certainty and further protect the Company's capital program. Nearly 50 percent of the Company's anticipated fourth quarter production is hedged. See below under "Hedging".

(1) Excludes GHG emissions related to certain natural gas-weighted properties that were sold in late 2019.

2021 CAPITAL PROGRAM

Paramount expects to finalize its 2021 capital budget and related guidance in the first quarter of 2021. Based on preliminary planning and current market conditions, Paramount anticipates 2021 capital spending, excluding land acquisitions and abandonment and reclamation activities, to range between $225 million and $275 million. A capital program in this range would be expected to result in:

- 2021 annual average sales volumes of between 77,500 Boe/d and 82,500 Boe/d (45% liquids); and
- adjusted funds flow that exceeds capital spending by approximately $100 million, assuming the midpoint of the capital spending and production ranges, realized pricing of $32.00/Boe, operating costs of $11.25/Boe and transportation and processing costs of $4.00/Boe.

REVIEW OF OPERATIONS

GRANDE PRAIRIE REGION

Grande Prairie Region sales volumes and netbacks are summarized below:

	Q3 2020		Q2 2020		*% Change*
Sales volumes					
Natural gas (MMcf/d)	**67.3**		78.3		*(14)*
Condensate and oil (Bbl/d)	**13,960**		16,309		*(14)*
Other NGLs (Bbl/d)	**2,060**		1,680		*23*
Total (Boe/d)	**27,237**		31,039		*(12)*
% liquids	***59%***		*58%*		
Netback	($ millions)	*($/Boe)*	($ millions)	*($/Boe)*	*% Change in $ millions*
Petroleum and natural gas sales	**79.1**	***31.58***	60.3	*21.34*	*31*
Royalties [(1)]	**(2.2)**	***(0.90)***	0.3	*0.12*	*NM*
Operating expense	**(38.8)**	***(15.47)***	(38.8)	*(13.73)*	-
Transportation and NGLs processing	**(15.6)**	***(6.23)***	(12.9)	(4.58)	21
	22.5	***8.98***	8.9	*3.15*	*153*

(1) Second quarter royalties were impacted by lower prices and adjustments related to prior year gas cost allowance. NM means not meaningful.

Karr

Karr sales volumes and netbacks are summarized below:

	Q3 2020		Q2 2020		% Change
Sales volumes					
Natural gas (MMcf/d)	**49.2**		46.1		*7*
Condensate and oil (Bbl/d)	**9,541**		7,501		*27*
Other NGLs (Bbl/d)	**1,503**		829		*81*
Total (Boe/d)	**19,246**		16,009		*20*
% liquids	***57%***		*52%*		
Netback	($ millions)	*($/Boe)*	($ millions)	*($/Boe)*	*% Change in $ millions*
Petroleum and natural gas sales	**54.9**	***31.01***	29.4	*20.20*	*87*
Royalties [1]	**(1.4)**	***(0.80)***	1.3	*0.87*	*NM*
Operating expense	**(26.2)**	***(14.77)***	(22.4)	*(15.39)*	*17*
Transportation and NGLs processing	**(10.9)**	***(6.17)***	(7.2)	*(4.91)*	*51*
	16.4	***9.27***	1.1	*0.77*	*NM*

(1) Second quarter royalties were impacted by lower prices and adjustments related to prior year gas cost allowance. NM means not meaningful.

Third quarter sales volumes at Karr averaged 19,246 Boe/d (57 percent liquids) compared to 16,009 Boe/d (52 percent liquids) in the second quarter. Sales volumes were higher primarily due to production contributions from the 12-18 pad that first flowed through test facilities in the second quarter and was subsequently brought onstream through permanent facilities in early July, as well as the 2-1 pad that was brought onstream through permanent facilities in early September. Sales volumes also benefited from a pipeline debottlenecking project designed to mitigate current and potential future back-out issues as new pads are brought on production. The project included the installation of booster pumps servicing the southwest extents of the Karr gathering system and has resulted in improved runtime of both legacy and new wells in the area.

Per unit operating costs continue to trend lower as a result of increasing volumes combined with the impact of two water disposal wells that were brought into service at the end of the first quarter. The Company continues to expect these wells to meet Karr area development needs as production ramps up. Per unit operating and transportation costs are expected to decline as the Company ramps up production in the fourth quarter of 2020 and into 2021.

The five-wells on the 2-1 pad averaged gross peak 30-day production per well of 1,463 Boe/d, including 735 Bbl/d of wellhead liquids, and an average wellhead CGR of 168 Bbl/MMcf.[1] These wells exhibit higher gas production compared to other recently drilled Karr wells, which is in line with expectations.

In 2020, Paramount implemented data analytics workflows that incorporate and leverage proprietary geoscience characterization and daily well performance with public data sources. Utilizing this data foundation, Paramount is able to generate advanced predictive models to rapidly assess development opportunities at its Grande Prairie Montney assets under a variety of scenarios and implement changes to completion design, well spacing and other factors to maximize returns. Improved completion design is one of the primary reasons that costs in the Karr area have been trending downward while completion effectiveness has been maintained. All-in DCET costs at the 2-1 pad averaged $7.3 million per well, representing a 39 percent reduction compared with average DCET costs for Karr wells in 2018 and 2019.

(1) Production measured at the wellhead. Natural gas sales volumes are lower by approximately 7 percent and liquids sales volumes are lower by approximately 7 percent due to shrinkage. Excludes days when the wells did not produce. The production rates and volumes stated are 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. CGRs are calculated by dividing raw wellhead liquids volumes by raw wellhead natural gas volumes. See Oil and Gas Measures and Definitions in the Advisories section.

At the five-well 5-16 West pad, completion activities were recently concluded and preliminary lease construction, drilling and completion costs are coming in at an estimated $7.2 million per well. The pre-building and modularization of above ground well equipment packages on this pad improved schedule efficiency, and the Company anticipates bringing these wells on production in late November.

Paramount recently commenced drilling six Middle Montney wells on the Karr 3-10 pad. The Company plans to complete, tie-in and bring on production all six of these wells in the first half of 2021. Additionally, lease construction at the five-well 7-18 pad has begun, with drilling anticipated to start in December 2020.

The following table summarizes the performance of Karr wells on the 2-1, 12-18, 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)			Days on Production
	Total	Wellhead Liquids	CGR (3)	Total	Wellhead Liquids	CGR (3)	
	(Boe/d)	*(Bbl/d)*	*(Bbl/MMcf)*	*(MBoe)*	*(MBbl)*	*(Bbl/MMcf)*	
2-1 Pad							
03/14-12-066-05W6/0	1,490	764	175	87	39	133	67
04/16-12-066-05W6/0	1,723	977	218	97	50	174	65
05/15-12-066-05W6/0	1,376	621	137	88	40	137	67
05/16-12-066-05W6/0	1,428	667	146	92	45	160	66
06/15-12-066-05W6/0	1,300	646	165	84	39	144	65
Avg. per well	**1,463**	**735**	**168**	**90**	**43**	**151**	**66**
12-18 Pad							
00/09-17-065-05W6/2	1,304	1,056	710	85	67	616	127
00/16-17-065-05W6/0	1,644	1,262	550	125	92	476	124
02/09-17-065-05W6/0	1,757	1,350	553	145	107	473	127
02/16-17-065-05W6/0	1,692	1,181	385	166	111	335	128
03/09-17-065-05W6/0	1,567	1,232	614	146	111	533	127
Avg. per well	**1,593**	**1,216**	**538**	**133**	**98**	**454**	**127**
1-19 Pad							
03/13-29-065-05W6/0	1,704	1,209	407	339	228	342	312
03/14-29-065-05W6/0	1,357	1,067	611	192	142	474	244
04/13-29-065-05W6/0	1,566	1,170	493	279	195	386	304
Avg. per well	**1,542**	**1,149**	**486**	**270**	**188**	**384**	**287**
4-24 Pad							
00/01-11-065-06W6/0	1,878	1,271	349	408	242	244	407
00/02-12-065-06W6/0	1,836	1,308	413	329	223	351	412
00/03-12-065-06W6/0	2,307	1,583	365	527	330	279	425
00/04-12-065-06W6/0	2,097	1,329	289	537	316	238	418
02/03-12-065-06W6/0	2,029	1,308	302	463	284	263	419
Avg. per well	**2,029**	**1,360**	**338**	**453**	**279**	**268**	**416**
2018 Wells							
5 wells (Avg. per well)	1,877	1,121	247	651	337	180	680
2016/2017 Wells							
27 wells (Avg. per well)	1,969	1,171	245	758	377	165	918

(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 7 percent lower and liquids sales volumes are approximately 7 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 October 31, 2020. Natural gas sales volumes are approximately 7 percent lower and liquids sales volumes are approximately 7 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

Wapiti sales volumes and netbacks are summarized below:

	Q3 2020		Q2 2020		% Change
Sales volumes					
Natural gas (MMcf/d)		**17.8**		31.9	*(44)*
Condensate and oil (Bbl/d)		**4,414**		8,786	*(50)*
Other NGLs (Bbl/d)		**548**		841	*(35)*
Total (Boe/d)		**7,925**		14,940	*(47)*
% liquids		***63%***		*64%*	
Netback	($ millions)	*($/Boe)*	($ millions)	*($/Boe)*	*% Change in $ millions*
Petroleum and natural gas sales	**24.1**	***33.10***	30.7	*22.61*	*(21)*
Royalties	**(0.9)**	***(1.18)***	(1.0)	*(0.70)*	*(10)*
Operating expense	**(12.3)**	***(16.88)***	(15.9)	*(11.69)*	*(23)*
Transportation and NGLs processing	**(4.7)**	***(6.42)***	(5.8)	*(4.24)*	*(19)*
	6.2	***8.62***	8.0	*5.98*	*(23)*

Third quarter sales volumes at Wapiti averaged 7,925 Boe/d (63 percent liquids) compared to 14,940 Boe/d (64 percent liquids) in the second quarter. Production was shut-in due to a six-week unplanned outage at the Wapiti Plant. Paramount is pursuing a claim under its contingent business interruption insurance policy related to the outage. The policy has a 30-day waiting period and recoveries are expected to exceed $5 million.

Completion operations at the five-well 5-3 West pad commenced in October, and despite utilizing higher fluid and proppant intensity compared to the 5-3 East pad drilled in 2019, the Company estimates per well completion costs to come in approximately 30 percent lower as a result of improved efficiencies and completion design. Preliminary lease construction, drilling and completion costs are estimated at $7.3 million per well. Paramount plans to equip, tie-in and bring on production these five wells in the coming months.

Drilling of the remaining six wells on the eight-well (four Middle Montney and four Lower Montney) Wapiti 6-4 pad is scheduled to commence late in the fourth quarter. The Company plans to complete, tie-in and bring on production all eight wells in mid-2021.

The following table summarizes the performance of Wapiti wells on the 5-3 East and 9-3 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	2,174	1,360	279	263	151	226	263
04/06-15-068-06W6/0	1,703	1,154	351	190	124	313	224
02/09-28-067-06W6/0	1,797	1,130	283	152	92	257	145
02/11-27-067-06W6/0	2,017	1,296	299	248	150	256	257
00/12-27-067-06W6/0	1,390	926	332	158	95	250	195
02/12-27-067-06W6/0	1,949	1,277	317	209	120	224	197
00/09-28-067-06W6/0	1,585	1,060	336	179	106	241	173
03/06-15-068-06W6/0	1,409	984	385	184	125	350	211
00/05-15-068-06W6/0	1,432	1,018	410	155	109	387	193
02/05-15-068-06W6/0	1,563	1,070	362	172	116	339	182
00/08-16-068-06W6/0	1,396	934	338	170	112	317	177
02/08-16-068-06W6/0	1,711	1,214	407	129	88	357	101
Avg. per well	**1,677**	**1,119**	**334**	**184**	**116**	**282**	**193**
9-3 Pad							
00/11-27-067-06W6/0	1,360	880	306	246	152	268	364
03/08-15-068-06W6/0	962	689	421	176	126	414	331
04/09-27-067-06W6/0	1,536	1,102	423	368	229	276	447
03/09-27-067-06W6/0	1,268	794	279	334	205	265	448
02/06-15-068-06W6/0	1,511	1,088	429	234	158	347	316
02/09-27-067-06W6/0	1,094	769	395	298	187	282	429
03/07-15-068-06W6/0	1,042	787	516	229	151	318	414
02/10-27-067-06W6/0	1,137	779	362	289	181	278	409
03/10-27-067-06W6/0	1,111	749	345	292	173	244	429
02/08-15-068-06W6/0	969	693	419	207	139	338	385
02/07-15-068-06W6/0	1,192	815	360	227	152	340	371
Avg. per well	**1,198**	**831**	**378**	**264**	**168**	**295**	**395**

(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 11 percent lower and liquids sales volumes are approximately 3 percent lower due to shrinkage under normalized operations. 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 October 31, 2020. Natural gas sales volumes are approximately 11 percent lower and liquids sales volumes are approximately 3 percent lower due to shrinkage under normalized operating conditions. 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 25,477 Boe/d (26 percent liquids) in the third quarter compared to 29,561 Boe/d (26 percent liquids) in the second quarter. The quarter over quarter decrease was primarily attributable to natural declines and planned maintenance outages during the third quarter. The Company completed a major turnaround in the quarter of its Presley 3-29 facility on schedule, under budget and without incident.

Paramount continues to focus on operational excellence, making progress on improving its cost structure while maintaining best practices in safety, asset integrity, reliability and environmental performance. Improvements in operational efficiency have been especially impactful in the Kaybob Region, resulting in significant cost savings compared with previous years.

Paramount holds material positions in the Duvernay and Montney resource plays in the Kaybob Region that will compete for capital in the medium term. The Company is monitoring regional competitor activity and using this information to evaluate the full field development plans for these plays. Recent competitor results have been encouraging, including an offsetting well just north-east of the Company's Kaybob North Duvernay field that appears to have produced the highest ever monthly oil/condensate volume for a Duvernay well in the basin.

Supporting production in the Region is a network of owned infrastructure including the Company's crude oil terminal that was first put into service in the fourth quarter of 2019. The pipeline connected terminal provides Paramount the opportunity to increase netbacks for its Kaybob area crude and condensate volumes and capture incremental value in price differentials.

CENTRAL ALBERTA AND OTHER REGION

Central Alberta and Other Region sales volumes averaged 8,350 Boe/d (14 percent liquids) compared to 8,239 Boe/d (12 percent liquids) in the second quarter.

Paramount holds a material, contiguous Duvernay position at Willesden Green and continues to actively evaluate longer-term full field development plans for this asset.

GREENHOUSE GAS REDUCTION INITIATIVE

As part of Paramount's continued commitment to responsible energy development, the Company has been participating in GHG emission reduction programs and investing in new equipment to reduce GHG emissions from its operations. Upstream emissions intensity (combined Scope 1 and Scope 2) was 18.5 kg CO_2e/Boe in 2019, an 18 percent reduction from the previous year. This compares to the Oil and Gas Climate Initiative ("OGCI") group average of 21.1 kg CO_2e/Boe in 2019 and their stated target of 20.0 kg CO_2e/Boe by the year 2025. OGCI is an international industry-led organization comprised of 12 of the world's largest energy companies, representing over one fifth of global oil and gas production.

The Company has completed its project in the Grande Prairie area to replace approximately 200 high-bleed controllers with modern low-bleed units at well sites. 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. This project, which was part of a larger, multi-year initiative where approximately 1,900 high-bleed controllers have been replaced, is estimated to reduce annual GHG emissions by approximately 75,000 tonnes of CO2e when compared to baseline 2017 emissions.(1) Paramount continues to evaluate its assets for further methane reduction opportunities.

(1) Excludes GHG emissions related to certain natural gas-weighted properties that were sold in late 2019.

HEDGING

The Company's commodity hedging position as at September 30, 2020 is summarized below:

- Natural Gas:

Rest of 2020	~60,000 MMBtu/d at US$2.58/MMBtu ~66,800 GJ/d at CDN$2.18/GJ
2021	~67,500 MMBtu/d at US$2.73/MMBtu ~60,000 GJ/d at CDN$2.54/GJ

- Oil:

Rest of 2020	~4,000 Bbl/d at CDN$80.11/Bbl ~9,700 Bbl/d at US$43.22/Bbl
2021	5,000 Bbl/d at US$44.10/Bbl

Subsequent to September 30, 2020, the Company hedged the differential on 1,000 Bbl/d of condensate at Edmonton for the first quarter of 2021 at WTI plus US$0.50/Bbl.

Further details of Paramount's commodity hedging position are provided in its third quarter 2020 Management's Discussion and Analysis and Consolidated Financial Statements.

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 third 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. A summary of historical financial and operating results is also available on Paramount's website at http://www.paramountres.com/investor-relations/financial-reports#2020.

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FINANCIAL AND OPERATING RESULTS [1]

($ millions, except as noted)

	Q3 2020		Q2 2020	
Net loss	(23.3)		(75.7)	
per share – basic and diluted ($/share)	*(0.17)*		*(0.57)*	
Cash from (used in) operating activities	11.4		(14.2)	
per share – basic and diluted ($/share)	*0.09*		*(0.11)*	
Adjusted funds flow	29.5		19.0	
per share – basic and diluted ($/share)	*0.22*		*0.14*	
Total assets	3,041.9		3,066.4	
Long-term debt	792.7		754.9	
Net debt	836.5		810.7	
Common shares outstanding *(thousands)*[2]	133,784		133,784	
Sales volumes				
Natural gas (MMcf/d)	224.0		253.2	
Condensate and oil (Bbl/d)	19,782		22,823	
Other NGLs (Bbl/d) [3]	3,952		3,817	
Total (Boe/d)	61,064		68,839	
% liquids	*39%*		*39%*	
Grande Prairie Region (Boe/d)	27,237		31,039	
Kaybob Region (Boe/d)	25,477		29,561	
Central Alberta and Other Region (Boe/d)	8,350		8,239	
Total (Boe/d)	61,064		68,839	
Netback		*$/Boe [4]*		*$/Boe [4]*
Natural gas revenue	40.0	*1.94*	44.7	*1.94*
Condensate and oil revenue	88.7	*48.74*	60.3	*29.05*
Other NGLs revenue [3]	6.6	*18.10*	4.3	*12.28*
Royalty and sulphur revenue	3.5	—	3.9	—
Petroleum and natural gas sales	138.8	*24.70*	113.2	*18.07*
Royalties	(4.3)	*(0.77)*	(3.6)	*(0.57)*
Operating expense	(62.4)	*(11.10)*	(62.6)	*(9.99)*
Transportation and NGLs processing [5]	(27.8)	*(4.95)*	(25.3)	*(4.04)*
Netback	44.3	*7.88*	21.7	*3.47*
Commodity contract settlements	9.8	*1.75*	12.9	*2.05*
Netback including commodity contract settlements	54.1	*9.63*	34.6	*5.52*
Total Capital Expenditures				
Grande Prairie Region	46.1		36.7	
Kaybob Region	2.7		1.8	
Central Alberta and Other Region	0.2		0.8	
Corporate	1.5		1.5	
Land and property acquisitions	—		0.6	
Total capital expenditures	50.5		41.4	
Asset retirement obligation settlements	0.7		4.0	

(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): Q3 2020: 414 and Q2 2020: 414.
(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:

- planned capital expenditures for 2020;
- anticipated sales volumes in the fourth quarter of 2020;
- the expectation that Paramount will finalize its 2021 capital budget and related guidance in the first quarter of 2021;
- preliminary anticipated capital expenditures in 2021 and the resulting expected 2021 average sales volumes and excess of adjusted funds flow over such expenditures;
- planned exploration, development and production activities;
- estimated lease construction, drilling and completion costs;
- expected GHG reductions and credits associated with controller upgrades;
- planned abandonment and reclamation expenditures using funding under the Alberta Site Rehabilitation Program;
- anticipated operating costs in the fourth quarter of 2020;
- the expectation that two additional water disposal wells will meet Karr area development needs as production ramps up;
- the expectation that per unit operating and transportation costs at Karr will continue to decline as the Company ramps up production in the fourth quarter of 2020 and into 2021; and
- expected recoveries under Paramount's contingent business interruption insurance related to the Wapiti Plant outage.

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 ability to realize expected cost savings;
- 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 receipt of benefits under government programs;
- the application of regulatory requirements respecting abandonment and reclamation;
- the application of Paramount's contingent business interruption insurance policy to the Wapiti Plant outage; 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. 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 and nine months ended September 30, 2020 ("MD&A") under "Risk Factors";
- fluctuations in natural gas and liquids prices, including in relation to the impact of the COVID-19 pandemic;
- changes in capital spending plans and planned exploration and development activities;
- the potential for changes to preliminary anticipated 2021 capital expenditures prior to finalization and changes to the resulting expected 2021 average sales volumes and excess of adjusted funds flow over such expenditures;

- 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, insurance claims, 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 (used in) operating activities before net changes in non-cash working capital, geological and geophysical expenses, asset retirement obligation settlements, reorganization costs 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 significantly 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 are the calculations of adjusted funds flow from the nearest GAAP measure for the three months ended September 30, 2020 and June 30, 2020:

Three months ended	Sept 30, 2020 (MM$)	Jun 30, 2020 (MM$)
Cash from (used in) operating activities	**11.4**	**(14.2)**
Change in non-cash working capital	15.6	24.0
Geological and geophysical expenses	1.7	1.9
Asset retirement obligations settled	0.7	4.0
Reorganization costs	—	3.0
Provision and other	0.1	0.3
Adjusted funds flow	**29.5**	**19.0**

"Netback" equals petroleum and natural gas sales less royalties, operating expense 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 nine months ended September 30, 2020, the value ratio between crude oil and natural gas was approximately 23:1. 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.

Paramount resources ltd.

Management's Discussion and Analysis
For the three and nine months ended September 30, 2020

This Management's Discussion and Analysis ("MD&A"), dated November 4, 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 and nine months ended September 30, 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 information included in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and is stated in millions of Canadian dollars, unless otherwise noted. The Company's accounting policies have been applied consistently to all periods presented.

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. Certain comparative figures have been reclassified to conform to the current years' presentation. 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 fee simple land and various associated royalty interests located in Alberta.

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 Inc. 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 September 30		Nine months ended September 30	
	2020	2019	2020	2019
FINANCIAL				
Petroleum and natural gas sales	**138.8**	199.8	**424.0**	655.0
Net income (loss)	**(23.3)**	141.0	**(334.1)**	(56.7)
Per share – basic & diluted ($/share)	***(0.17)***	*1.08*	***(2.50)***	*(0.44)*
Cash from operating activities	**11.4**	48.6	**27.7**	185.2
Per share – basic & diluted ($/share)	***0.09***	*0.37*	***0.21***	*1.42*
Adjusted funds flow	**29.5**	50.9	**82.1**	205.5
Per share – basic & diluted ($/share)	***0.22***	*0.39*	***0.61***	*1.58*
Total assets			**3,041.9**	3,771.1
Long-term debt			**792.7**	720.9
Net debt			**836.5**	777.9
Common shares outstanding (thousands) [2]			**133,784**	130,020
OPERATIONAL				
Sales volumes				
Natural gas (MMcf/d)	**224.0**	296.6	**246.1**	304.7
Condensate and oil (Bbl/d)	**19,782**	24,761	**21,495**	23,921
Other NGLs (Bbl/d) [3]	**3,952**	6,851	**4,102**	6,667
Total (Boe/d)	**61,064**	81,046	**66,621**	81,377
% Liquids	***39%***	*39%*	***38%***	*38%*
Realized prices				
Natural gas revenue ($/Mcf)	**1.94**	1.58	**2.05**	2.23
Condensate and oil revenue ($/Bbl)	**48.74**	65.73	**44.23**	66.64
Other NGLs revenue ($/Bbl) [3]	**18.10**	9.78	**13.60**	16.04
Petroleum and natural gas sales ($/Boe)	**24.70**	26.80	**23.23**	29.49
Total capital expenditures	**50.5**	127.5	**155.8**	331.9

(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: 414 and 2019: 860.

(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 oil and condensate prices received by the Company in the latter part of the first quarter of 2020. Despite the resolution of the OPEC+ disputes in the latter part of the second quarter of 2020, adverse pricing conditions have persisted as a result of the continuing impact of the COVID-19 pandemic. Paramount's response to these conditions has included cost reduction initiatives and the shut-in of certain production. At September 30, the Company has now exceeded its previously announced 2020 cost reduction targets of $25 million in operating costs and $15 million in general and administrative expenses. Paramount has largely brought back production that was previously shut-in due to the deterioration of commodity prices in the second quarter.

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. Paramount is ensuring its 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. At the beginning of June, Paramount implemented a plan to safely transition its Calgary head office employees from remote work back to the office.

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".

CONSOLIDATED RESULTS

Net Loss

Paramount recorded a net loss of $23.3 million for the three months ended September 30, 2020 compared to net income of $141.0 million in the same period in 2019. Significant factors contributing to the change are shown below:

Three months ended September 30	
Net income – 2019	**141.0**
• Loss on the sale of oil and gas assets in 2020 compared to a gain in 2019	(165.3)
• Lower recovery related to changes in asset retirement obligations in 2020	(47.9)
• Lower netback in 2020, mainly due to lower sales volumes and lower condensate and oil prices	(23.9)
• Loss on commodity contracts in 2020 compared to a gain in 2019	(19.1)
• Income tax recovery in 2020 compared to an expense in 2019	45.5
• Lower depletion and depreciation in 2020, mainly due to lower sales volumes and lower depletion rates following impairment charges of $191.8 million recorded in the first quarter of 2020	28.7
• Change in the fair value of securities - warrants in 2019	5.5
• Lower exploration and evaluation expense in 2020	8.6
• Other	3.6
Net loss – 2020	**(23.3)**

Paramount recorded a net loss of $334.1 million for the nine months ended September 30, 2020 compared to a net loss of $56.7 million in the same period in 2019. Significant factors contributing to the change are shown below:

Nine months ended September 30	
Net loss – 2019	**(56.7)**
• Loss on the sale of oil and gas assets in 2020 compared to a gain in 2019	(173.7)
• Lower netback in 2020, mainly due to lower commodity prices and lower sales volumes	(155.7)
• Higher depletion, depreciation and impairment in 2020, due to impairment charges of $191.8 million partially offset by lower depletion expense in 2020	(132.2)
• Gain on commodity contracts in 2020 compared to a loss in 2019	61.0
• Higher recovery related to changes in asset retirement obligations in 2020	47.5
• Lower income tax expense in 2020	40.5
• Lower general and administrative expenses in 2020	16.3
• Closure program provision recognized in 2019 in respect of the Zama property	13.4
• Lower accretion of asset retirement obligations in 2020	12.4
• Other	(6.9)
Net loss – 2020	**(334.1)**

Cash From Operating Activities

Cash from operating activities for the three months ended September 30, 2020 was $11.4 million compared to cash from operating activities of $48.6 million for the same period in 2019. Significant factors contributing to the change are shown below:

Three months ended September 30	
Cash from operating activities – 2019	**48.6**
• Change in non-cash working capital	(24.3)
• Lower netback in 2020, mainly due to lower sales volumes and lower condensate and oil prices	(23.9)
• Higher interest and financing expenses in 2020	(6.8)
• Lower general and administrative expenses in 2020	5.0
• Closure program expenditures in 2019	4.9
• Higher receipts on commodity contract settlements in 2020	4.1
• Other	3.8
Cash from operating activities – 2020	**11.4**

Cash from operating activities for the nine months ended September 30, 2020 was $27.7 million compared to $185.2 million for the same period in 2019. Significant factors contributing to the change are shown below:

Nine months ended September 30	
Cash from operating activities – 2019	**185.2**
• Lower netback in 2020, mainly due to lower commodity prices and lower sales volumes	(155.7)
• Higher asset retirement obligation settlements in 2020	(23.5)
• Change in non-cash working capital	(13.3)
• Higher interest and financing expenses in 2020	(5.3)
• Higher receipts on commodity contract settlements in 2020	21.2
• Lower general and administrative expenses in 2020	16.3
• Closure program expenditures in 2019	9.3
• Other	(6.5)
Cash from operating activities – 2020	**27.7**

Adjusted Funds Flow [(1)]

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

	Three months ended September 30		Nine months ended September 30	
	2020	**2019**	**2020**	**2019**
Cash from operating activities	**11.4**	48.6	**27.7**	185.2
Change in non-cash working capital	**15.6**	(8.7)	**5.4**	(7.9)
Geological and geophysical expenses	**1.7**	2.5	**6.2**	7.5
Asset retirement obligations settled	**0.7**	3.6	**34.9**	11.4
Closure program expenditures	**–**	4.9	**–**	9.3
Provision and other	**0.1**	–	**4.9**	–
Reorganization costs	**–**	–	**3.0**	–
Adjusted funds flow	**29.5**	50.9	**82.1**	205.5
Adjusted funds flow (*$/Boe*)	***5.25***	*6.83*	***4.50***	*9.25*

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

Adjusted funds flow was $29.5 million in the third quarter of 2020 compared to $50.9 million in the third quarter of 2019. Significant factors contributing to the change are shown below:

Three months ended September 30	
Adjusted funds flow – 2019	**50.9**
• Lower netback in 2020, mainly due to lower sales volumes and lower condensate and oil prices	(23.9)
• Higher interest and financing expenses in 2020	(6.8)
• Lower general and administrative expenses in 2020	5.0
• Higher receipts on commodity contract settlements in 2020	4.1
• Other	0.2
Adjusted funds flow – 2020	**29.5**

Adjusted funds flow for the nine months ended September 30, 2020 was $82.1 million compared to $205.5 million for the same period in 2019. Significant factors contributing to the change are shown below:

Nine months ended September 30	
Adjusted funds flow – 2019	**205.5**
• Lower netback in 2020, mainly due to lower commodity prices and lower sales volumes	(155.7)
• Higher interest and financing expenses in 2020	(5.3)
• Higher receipts on commodity contract settlements in 2020	21.2
• Lower general and administrative expenses in 2020	16.3
• Other	0.1
Adjusted funds flow – 2020	**82.1**

OPERATING RESULTS

Netback [1]

	Three months ended September 30				Nine months ended September 30			
	2020		2019		2020		2019	
		($/Boe)[2]		($/Boe)[2]		($/Boe)[2]		($/Boe)[2]
Natural gas revenue	40.0	1.94	43.1	1.58	138.2	2.05	185.9	2.23
Condensate and oil revenue	88.7	48.74	149.7	65.73	260.5	44.23	435.2	66.64
Other NGLs revenue [3]	6.6	18.10	6.2	9.78	15.3	13.60	29.2	16.04
Royalty and other revenue	3.5	–	0.8	–	10.0	–	4.7	–
Petroleum and natural gas sales	138.8	24.70	199.8	26.80	424.0	23.23	655.0	29.49
Royalties	(4.3)	(0.77)	(12.1)	(1.62)	(19.6)	(1.07)	(46.1)	(2.08)
Operating expense	(62.4)	(11.10)	(93.8)	(12.58)	(217.3)	(11.90)	(270.9)	(12.19)
Transportation and NGLs processing [4]	(27.8)	(4.95)	(25.7)	(3.45)	(76.7)	(4.20)	(71.9)	(3.24)
Netback	44.3	7.88	68.2	9.15	110.4	6.06	266.1	11.98
Commodity contract settlements	9.8	1.75	5.7	0.76	29.7	1.62	8.5	0.38
Netback including commodity contract settlements	54.1	9.63	73.9	9.91	140.1	7.68	274.6	12.36

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

Petroleum and natural gas sales were $138.8 million in the third quarter of 2020, a decrease of $61.0 million from the third quarter of 2019. Petroleum and natural gas sales were $424.0 million for the nine months ended September 30, 2020, a decrease of $231.0 million compared to the same period in 2019.

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 Other	Total
Three months ended September 30, 2019	43.1	149.7	6.2	0.8	199.8
Effect of changes in sales volumes	(10.6)	(30.1)	(2.6)	–	(43.3)
Effect of changes in prices	7.5	(30.9)	3.0	–	(20.4)
Change in royalty and other revenue	–	–	–	2.7	2.7
Three months ended September 30, 2020	**40.0**	**88.7**	**6.6**	**3.5**	**138.8**

	Natural Gas	Condensate and Oil	Other NGLs	Royalty and Other	Total
Nine months ended September 30, 2019	185.9	435.2	29.2	4.7	655.0
Effect of changes in sales volumes	(35.2)	(42.7)	(11.2)	–	(89.1)
Effect of changes in prices	(12.5)	(132.0)	(2.7)	–	(147.2)
Change in royalty and other revenue	–	–	–	5.3	5.3
Nine months ended September 30, 2020	**138.2**	**260.5**	**15.3**	**10.0**	**424.0**

Sales Volumes

	Three months ended September 30											
	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	**67.3**	72.1	*(7)*	**13,960**	14,330	*(3)*	**2,060**	1,587	*30*	**27,237**	27,927	*(2)*
Kaybob	**113.8**	144.2	*(21)*	**5,142**	8,130	*(37)*	**1,363**	2,450	*(44)*	**25,477**	34,615	*(26)*
Central Alberta & Other	**42.9**	80.3	*(47)*	**680**	2,301	*(70)*	**529**	2,814	*(81)*	**8,350**	18,504	*(55)*
Total	**224.0**	296.6	*(24)*	**19,782**	24,761	*(20)*	**3,952**	6,851	*(42)*	**61,064**	81,046	*(25)*

Sales volumes in the third quarter of 2020 were 61,064 Boe/d compared to 81,046 Boe/d in the third quarter of 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 in the Kaybob Region and an approximate six-week unplanned outage (the "Q3 Wapiti Outage") at the third-party Wapiti natural gas processing plant (the "Wapiti Plant"). These decreases were partially offset by incremental new well production at Karr and Wapiti in the Grande Prairie Region.

Paramount is pursuing a claim under its contingent business interruption insurance policy related to the Q3 Wapiti Outage. The policy has a 30-day waiting period and recoveries are expected to exceed $5 million.

In December 2019, Paramount closed the sale of the West Central Alberta Assets. The West Central Alberta Assets were included in the Central Alberta & Other Region and had average sales volumes of approximately 8,900 Boe/d (61 percent natural gas) and a netback of approximately $2.7 million for the three months ended September 30, 2019.

	Nine months ended September 30											
	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	**73.4**	74.9	*(2)*	**14,786**	12,329	*20*	**1,807**	1,625	*11*	**28,824**	26,429	*9*
Kaybob	**128.5**	149.2	*(14)*	**6,058**	8,947	*(32)*	**1,765**	2,466	*(28)*	**29,232**	36,286	*(19)*
Central Alberta & Other	**44.2**	80.6	*(45)*	**651**	2,645	*(75)*	**530**	2,576	*(79)*	**8,565**	18,662	*(54)*
Total	**246.1**	304.7	*(19)*	**21,495**	23,921	*(10)*	**4,102**	6,667	*(38)*	**66,621**	81,377	*(18)*

Sales volumes were 66,621 Boe/d in the nine months ended September 30, 2020 compared to 81,377 Boe/d in the same period in 2019. The decrease was primarily due to the sale of the West Central Alberta Assets in 2019, natural declines in the Kaybob Region and four outages at the Wapiti Plant (three unscheduled outages and one scheduled outage) which amounted to approximately ten weeks of downtime. These decreases were partially offset by incremental new well production at Wapiti and Karr in the Grande Prairie Region.

For the nine months ended September 30, 2019, the West Central Alberta Assets had average sales volumes of approximately 8,600 Boe/d (60 percent natural gas) and a netback of approximately $16.9 million.

Commodity Prices

	Three months ended September 30			Nine months ended September 30		
	2020	2019	% Change	2020	2019	% Change
Natural Gas						
Paramount realized price ($/Mcf)	**1.94**	1.58	*23*	**2.05**	2.23	*(8)*
AECO daily spot ($/GJ)	**2.12**	0.86	*147*	**1.98**	1.44	*38*
AECO monthly index ($/GJ)	**2.04**	0.99	*106*	**1.96**	1.31	*50*
Dawn ($/MMbtu)	**2.44**	2.83	*(14)*	**2.36**	3.29	*(28)*
NYMEX (US$/MMbtu)	**2.13**	2.33	*(9)*	**1.92**	2.57	*(25)*
Malin – monthly index (US$/MMbtu)	**1.90**	1.97	*(4)*	**1.90**	2.68	*(29)*
Condensate and Oil						
Paramount realized condensate and oil price ($/Bbl)	**48.74**	65.73	*(26)*	**44.23**	66.64	*(34)*
Edmonton Light Sweet ($/Bbl)	**49.05**	69.26	*(29)*	**44.13**	69.58	*(37)*
West Texas Intermediate (US$/Bbl)	**40.93**	56.47	*(28)*	**38.32**	57.04	*(33)*
Other NGLs (1)						
Paramount realized Other NGLs price ($/Bbl)	**18.10**	9.78	*85*	**13.60**	16.04	*(15)*
Conway – propane ($/Bbl)	**26.02**	19.94	*30*	**23.00**	26.56	*(13)*
Belvieu – butane ($/Bbl)	**30.23**	29.55	*2*	**28.61**	34.65	*(17)*
Foreign Exchange						
$CDN / 1 $US	**1.33**	1.32	*1*	**1.35**	1.33	*2*

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

Paramount's natural gas portfolio primarily consists of sales priced 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.

The Company had the following AECO fixed-price physical contracts in place at September 30, 2020:

Quantity	Location	Average fixed price	Remaining term
90,000 GJ/d	AECO	CDN$1.66/GJ	October 2020
10,000 GJ/d	AECO	CDN$2.45/GJ	October 2020 - December 2020
40,000 GJ/d	AECO	CDN$2.68/GJ	November 2020 - March 2021
50,000 GJ/d	AECO	CDN$2.51/GJ	January 2021 - 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 generally sold under contracts that are renewed annually in April each year. The contracts in place in the second and third quarter of 2020 have more favorable differentials than the comparable periods in 2019, which partially offset the deterioration in West Texas Intermediate reference prices in those periods.

Commodity Price Management

From time-to-time Paramount uses financial commodity contracts to manage exposure to commodity price volatility. The following table summarizes the Company's financial commodity contracts in place at September 30, 2020:

Instruments	Aggregate notional	Average fixed price	Fair value	Remaining term
Oil – NYMEX WTI Swaps (Sale)	4,000 Bbl/d	CDN$80.11/Bbl	9.6	October 2020 – December 2020
Oil – NYMEX WTI Swaps (Sale)	9,674 Bbl/d	US$43.22/Bbl	3.1	October 2020 – December 2020
Oil – NYMEX WTI Swaps (Sale)	5,000 Bbl/d	US$44.10/Bbl	4.0	January 2021 – December 2021
Gas – Swaps (Sale) (1)	60,109 MMBtu/d	US$2.58/MMBtu	(0.5)	October 2020 – December 2020
Gas – NYMEX Swaps (Sale)	67,397 MMBtu/d	US$2.73/MMBtu	(6.8)	January 2021 – December 2021
			9.4	

(1) Includes NYMEX swaps and contracts to swap physical sales of Alberta natural gas production from Chicago and Ventura index pricing to fixed prices.

For further details on the Company's financial commodity contracts, refer to Note 12 of the Interim Financial Statements.

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

	Nine months ended September 30, 2020	Twelve months ended December 31, 2019
Fair value, beginning of period	6.1	64.4
Changes in fair value	33.0	(45.1)
Settlements received	(29.7)	(13.2)
Fair value, end of period	9.4	6.1

Subsequent to September 30, 2020, the Company entered into the following financial commodity contracts:

Instruments	Volume	Differential	Remaining term
Oil – Edmonton Condensate WTI Differential Swap (Sale)	1,000 Bbl/d	WTI + US$0.50/Bbl	January 2021 – March 2021

Royalties

	Three months ended September 30				Nine months ended September 30			
	2020	**Rate**	**2019**	Rate	**2020**	**Rate**	**2019**	Rate
Royalties	4.3	3.2%	12.1	6.1%	19.6	4.7%	46.1	7.1%
$/Boe	*0.77*		*1.62*		*1.07*		*2.08*	

Royalties were $4.3 million in the third quarter of 2020, $7.8 million lower than the same period in 2019. Royalties for the nine months ended September 30, 2020 were $19.6 million compared to $46.1 million in the first nine months of 2019. Royalties decreased in the three and nine months ended September 30, 2020 primarily as a result of lower commodity prices and decreased sales volumes.

Operating Expense

	Three months ended September 30			Nine months ended September 30		
	2020	**2019**	% Change	**2020**	**2019**	% Change
Operating expense	**62.4**	93.8	*(33)*	**217.3**	270.9	*(20)*
$/Boe	***11.10***	*12.58*	*(12)*	***11.90***	*12.19*	*(2)*

Operating expenses decreased $31.4 million to $62.4 million in the third quarter of 2020 compared to $93.8 million in the same period in 2019. Operating expenses were $217.3 million in the first nine months of 2020 compared to $270.9 million in the same period in 2019.

Operating costs in the third quarter of 2020 were lower compared to the same period in 2019 primarily as a result of lower production in the Central and Other and Kaybob Regions, cost reductions from new water disposal wells, reduced maintenance activities, decreased labour and power costs, and the impact of the Q3 Wapiti Outage. Fourth quarter operating costs are anticipated to average approximately $11.50/Boe as a result of higher fourth quarter production and the Company's continued efforts in sustainably improving its cost structure.

Operating costs for the nine months ended September 30, 2020 were lower compared to the same period in 2019 primarily as a result of lower production in the Central and Other and Kaybob Regions, cost reductions from new water disposal wells, reduced maintenance activities, decreased labour and power costs, supplier cost reductions unique to the second quarter and equalizations related to prior periods.

The decreases in operating expenses in the third quarter of 2020 and the first nine months of 2020 were partially offset by higher operating costs in the Grande Prairie Region as a result of incremental processing fees following the start-up of the Wapiti Plant in May 2019 and the sale of the Karr 6-18 natural gas facility in August 2019 (the "Midstream Transaction").

Transportation and NGLs Processing

	Three months ended September 30			Nine months ended September 30		
	2020	**2019**	% Change	**2020**	**2019**	% Change
Transportation and NGLs processing	**27.8**	25.7	8	**76.7**	71.9	7
$/Boe	***4.95***	*3.45*	*43*	***4.20***	*3.24*	*30*

Transportation and NGLs processing was $27.8 million and $76.7 million for the three and nine months ended September 30, 2020, respectively, compared to $25.7 million and $71.9 million for the corresponding periods in 2019. Transportation and NGLs processing costs increased in the three and nine months ended September 30, 2020 mainly as a result of higher contracted transportation capacity for Wapiti and Karr, partially offset by lower production in the Kaybob and Central and Other Regions.

Other Operating Items

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Depletion and depreciation (excluding impairment)	(54.6)	(83.3)	(189.1)	(248.7)
Impairment of petroleum and natural gas assets	–	–	(191.8)	–
Gain (loss) on sale of oil and gas assets	(8.0)	157.3	(8.7)	165.0
Exploration and evaluation expense	(1.7)	(10.3)	(25.2)	(18.0)

Depletion and depreciation expense decreased to $54.6 million in the third quarter of 2020 compared to $83.3 million in the same period of 2019. Depletion and depreciation expense decreased to $189.1 million in the nine months ended September 30, 2020 compared to $248.7 million in the same period in 2019. The decrease in depletion and depreciation expense for the three and nine months ended September 30, 2020 was mainly due to lower sales volumes and lower depletion rates following impairment charges of $191.8 million recorded in the first quarter of 2020.

At March 31, 2020, 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 prevailing 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 at March 31, 2020 (1):

	(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.

The gain on sale of oil and gas assets in 2019 primarily related to the Midstream Transaction, which closed in the third quarter of 2019. Gross cash proceeds were $331.6 million, which resulted in a gain of $153.7 million.

Exploration and evaluation expense was $25.2 million for the nine months ended September 30, 2020, an increase of $7.2 million compared to the same period in 2019, primarily due to higher expenses for expired mineral leases.

CORPORATE

	Three months ended September 30		Nine months ended September 30	
	2020	**2019**	**2020**	**2019**
General and administrative	**(7.8)**	(12.8)	**(23.7)**	(40.0)
Share-based compensation	**(5.6)**	(6.8)	**(6.2)**	(14.3)
Interest and financing	**(17.1)**	(9.7)	**(35.9)**	(30.0)
Accretion of asset retirement obligations	**(11.0)**	(15.1)	**(32.1)**	(44.5)
Change in asset retirement obligations	**25.6**	73.5	**121.0**	73.5
Closure costs	**–**	–	**–**	(13.4)
Deferred income tax (expense) recovery	**18.5**	(27.0)	**(74.6)**	(115.1)

General and administrative and share-based compensation expenses were lower for the three and nine months ended September 30, 2020 compared to the same periods in 2019 primarily due to cost reduction initiatives, including workforce and salary reductions and the suspension or elimination of a number of benefits and incentive compensation programs. General and administrative expense in 2020 is also lower because of the impact of the temporary Canada Emergency Wage Subsidy program.

For the nine months ended September 30, 2020, the Company recorded a recovery of $121.0 million (nine months ended September 30, 2019 - $73.5 million) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment. In 2020, the changes mainly resulted from revisions in the weighted average credit-adjusted risk-free rate used to discount obligations. The changes in 2019 were a result of revisions to the estimated costs and timing of retirement.

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 in the first quarter of 2019 in respect of the expected costs of the closure 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. In the first quarter of 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 September 30		Nine months ended September 30	
	2020	2019	2020	2019
Drilling, completion and tie-ins	44.8	108.3	135.3	236.6
Facilities and gathering (1)	4.2	14.0	15.7	83.1
Corporate	1.5	3.3	4.2	6.0
Land and property acquisitions	–	1.9	0.6	6.2
Total capital expenditures (2)	50.5	127.5	155.8	331.9
Grande Prairie Region (1)	46.1	106.6	132.6	241.5
Kaybob Region	2.7	14.6	14.6	71.2
Central Alberta and Other Region	0.2	1.1	3.8	7.0
Corporate	1.5	3.3	4.2	6.0
Land and property acquisitions	–	1.9	0.6	6.2
Total capital expenditures (2)	50.5	127.5	155.8	331.9

(1) Total capital expenditures for the nine months ended September 30, 2019 includes $45.5 million of capital spending related to the Karr 6-18 natural gas facility prior to its sale (three months ended September 30, 2019 – nil).
(2) Readers are referred to the advisories concerning Non-GAAP measures in the Advisories section of this document.

Total capital expenditures were $50.5 million in the third quarter of 2020 compared to $127.5 million in the third quarter of 2019. Total capital expenditures totaled $155.8 million for the nine months ended September 30, 2020 compared to $331.9 million in the same period in 2020. Activities in 2020 mainly related to drilling and completion programs in the Grande Prairie Region. Significant capital program activities undertaken in the nine months ended September 30, 2020 are described below:

- At Karr, the Company finished the drilling, completion and tie-in of the 5 (5.0 net) well 12-18 pad and the drilling of the 5 (5.0 net) well 5-16 pad, completed and brought on production the 5 (5.0 net) well 2-1 pad and commenced the drilling of 6 (6.0 net) wells on the 3-10 pad. Paramount brought into service two new water disposal wells that have decreased operating costs by reducing the need to truck and dispose of water at third-party facilities. In addition, gas lift and related compression at pads near the southwest terminus of the Karr gathering system were installed to mitigate the impact from new higher-pressure wells upstream.

- At Wapiti, Paramount completed the drilling of 5 (5.0 net) wells on the 5-3 West pad and completed the drilling of 2 (2.0 net) 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.

GUIDANCE

The Company announced revisions to its previously provided sales volumes forecast and capital guidance in a press release issued on September 14, 2020, a copy of which is available under the Company's profile on SEDAR at www.sedar.com. As a result of the impact of the Q3 Wapiti Outage, the average sales volumes forecast for the second half of the year was reduced by 2,500 Boe/d to a range of between 62,500 Boe/d and 67,500 Boe/d, with forecast third quarter 2020 sales volumes of 60,000 to 62,000 Boe/d and fourth quarter 2020 sales volumes of 67,000 to 72,000 Boe/d. 2020 Capital guidance was increased to $225 million from $165 million, reflecting the acceleration of development projects at Karr and Wapiti to grow 2021 Montney production at those properties.

The Company has now revised its forecasted averages sales volume for the fourth quarter of 2020 to a range of between 70,000 Boe/d and 72,000 Boe/d, reflecting the Company's confidence in the onstream timing of new wells. The Company's 2020 capital guidance remains at $225 million.

2021 CAPITAL PROGRAM

Based on preliminary planning and current market conditions, Paramount anticipates 2021 capital spending, excluding land acquisitions and abandonment and reclamation activities, to range between $225 million and $275 million. A capital program in this range would be expected to result in:

- 2021 annual average sales volumes of between 77,500 Boe/d and 82,500 Boe/d (45% liquids); and
- adjusted funds flow that exceeds capital spending by approximately $100 million, assuming the midpoint of the capital spending and production ranges, realized pricing of $32.00/Boe, operating costs of $11.25/Boe and transportation and processing costs of $4.00/Boe.

Paramount has not yet finalized its 2021 capital budget and related guidance and the foregoing preliminary anticipated expenditures and expected results are subject to change.

DISSENT PAYMENT ENTITLEMENT

As at	September 30, 2020	December 31, 2019
Dissent Payment Entitlement	89.3	–

Paramount held 85 million common shares of Strath Resources Ltd. ("Strath") prior to its amalgamation with Cona Resources Ltd. in August 2020 to form Strathcona Resources Ltd. ("Strathcona"). Paramount objected to the amalgamation and exercised its right of dissent under section 191 of the Business Corporations Act (Alberta) (the "ABCA") with respect to its Strath shares. As a result, the Company is entitled to be paid in cash the fair value of its Strath shares, determined as of the close of business on July 24, 2020 (the "Dissent Payment Entitlement").

The amount of the Dissent Payment Entitlement and the timing of the payment thereof are uncertain. Paramount has applied to the Court of Queen's Bench of Alberta (the "Court") seeking Strathcona's payment of the Dissent Payment Entitlement. Strathcona made a statutorily required offer with respect to the Dissent Payment Entitlement in the amount of $45 million (the "Offered Amount"). Paramount has rejected such offer and applied to the Court for an interim payment of the Offered Amount pending final determination of the amount of the Dissent Payment Entitlement. In the event the parties are unable to agree on the amount of the Dissent Payment Entitlement, the final amount will be determined by the Court. Any payment of the Dissent Payment Entitlement will be subject to the satisfaction by Strathcona of the solvency tests provided in the ABCA.

The Dissent Payment Entitlement is a financial instrument measured at amortized cost and was recorded based on valuation techniques and assumptions that incorporate unobservable inputs (level three fair value hierarchy inputs), including market-based metrics of comparable companies and transactions and other indicators of value.

INVESTMENTS IN SECURITIES

As at	September 30, 2020	December 31, 2019
Level one fair value hierarchy securities	**24.5**	88.4
Level three fair value hierarchy securities	**6.4**	68.5
	30.9	156.9

For the three months ended September 30, 2020 and the nine months ended September 30, 2020, the Company recorded a charge of $1.4 million and a charge of $36.1 million, respectively, to other comprehensive income ("OCI") as a result of changes in the fair value estimates of investments in level one fair value hierarchy securities ("Level One Securities") and investments in level three fair value hierarchy securities ("Level Three Securities"). For the three and nine months ended September 30, 2020, the Company recorded losses of $3.3 million and $1.7 million, respectively, related to a change in the estimated fair value of warrants. Accumulated losses of $69.9 million were reclassified from accumulated OCI to accumulated deficit related to the Company's exercise of its Strath dissent rights.

On September 30, 2020, the Company executed a block trade to acquire 17.3 million common shares of NuVista Energy Ltd. ("NuVista Shares") at a price of $0.61 per share for an aggregate purchase price of $10.6 million. The block trade settled in October 2020. As at September 30, 2020, the Company owned 22.4 million NuVista Shares that were included in Investments in Securities and classified as Level One Securities. Immediately following settlement of the block trade, Paramount owned 39.8 million NuVista Shares, representing 17.6 percent of the outstanding NuVista Shares.

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

	Nine months ended September 30, 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	**(64.9)**	6.3
Changes in fair value of Level Three Securities (2) – recorded in OCI	**28.8**	(118.1)
Transfer to Dissent Payment Entitlement	**(89.3)**	–
Changes in fair value of warrants (3) – recorded in earnings	**(1.7)**	(9.2)
Acquired – cash	**1.0**	55.1
Acquired – non-cash	**–**	4.5
Dispositions	**–**	(13.6)
Investments in securities, end of period	**30.9**	156.9

(1) Column does not add due to rounding.
(2) Primarily related to the change in fair value of Strath common shares.
(3) Strathcona warrants (previously the Strath warrants).

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligation settlements for the nine months ended September 30, 2020 totaled $34.9 million. Activities in 2020 were focused on the abandonment of 248 wells, 224 of which were abandoned under the area-based closure program at Hawkeye and Zama. Planned abandonment and reclamation activities for 2020 are now largely complete other than as described below.

Paramount, in collaboration with its vendors, has received approval for up to approximately $10 million of funding under the Alberta Site Rehabilitation Program ("ASRP") to date. It is anticipated that approximately $4 million of abandonment and reclamation work under the ASRP will occur in the fourth quarter of 2020, with the remainder to occur in 2021.

LIQUIDITY AND CAPITAL RESOURCES

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

As at	September 30, 2020	December 31, 2019
Cash and cash equivalents	(1.1)	(6.0)
Accounts receivable	(74.6)	(116.6)
Prepaid expenses and other	(14.4)	(11.0)
Accounts payable and accrued liabilities	133.9	204.8
Adjusted working capital deficit (1)	43.8	71.2
Long-term debt	792.7	632.3
Net debt (2)	836.5	703.5
Share capital	2,207.6	2,207.5
Accumulated deficit	(546.5)	(128.5)
Reserves	44.4	4.2
Total capital	2,542.0	2,786.7

(1) Adjusted working capital excludes risk management assets and liabilities, current accounts receivable amounts relating to subleases (September 30, 2020 - $2.3 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 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 for the remainder of 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.

The Company's 2020 capital guidance is $225 million. Total capital expenditures for the nine months ended September 30, 2020 were $155.8 million. Paramount expects that adjusted funds flow and borrowing capacity under the Paramount Facility should provide sufficient liquidity to fund the Company's operations and remaining capital expenditures for 2020.

Based on preliminary planning and current market conditions, Paramount anticipates 2021 capital spending, excluding land acquisitions and abandonment and reclamation activities, may range between $225 million and $275 million. Paramount has not yet finalized its 2021 capital budget and the foregoing preliminary anticipated capital expenditures are subject to change.

The Company is committed to prudently managing its capital resources and has the flexibility to adjust its capital expenditure plans depending on commodity prices and other factors.

Paramount Facility

The Paramount Facility is a financial covenant-based senior secured revolving bank credit facility.

Reflective of the macro economic environment and significant reduction in commodity prices, in June 2020, the Paramount Facility was amended, which amendments included:

- a period of financial covenant relief to and including June 30, 2021 (the "Covenant Relief Period"), providing for a full waiver of the Senior Secured Debt to Consolidated EBITDA covenant and a reduction of the Consolidated EBITDA to Consolidated Interest Expense covenant in certain periods; and

- a decrease in the size of the Paramount Facility to $1.0 billion.

Availability of the Paramount Facility in excess of $900 million is subject to the Company raising junior capital and obtaining required levels of lender approval. Availability will be increased by $5 million for each $10 million of junior capital raised, subject to certain limits.

During the Covenant Relief Period, Paramount is subject to the following financial covenant, tested at the end of each fiscal quarter:

Consolidated EBITDA to Consolidated Interest Expense to be:

- 2.50 to 1.00 or greater for the quarter ending September 30, 2020, calculated on a trailing twelve-month basis;

- 1.75 to 1.00 or greater for the quarter ending December 31, 2020, calculated on a trailing twelve-month basis; and

- 1.75 to 1.00 or greater for the quarters ending March 31, 2021 and September 30, 2021, calculated on a current quarter basis.

After the Covenant Relief Period, Paramount will be subject to the following financial covenants, tested at the end of each fiscal quarter and calculated on a trailing twelve-month basis:

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

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

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

Consolidated EBITDA is adjusted for material acquisitions and dispositions and is generally calculated as net income before Consolidated Interest Expense, taxes, depletion, depreciation, amortization, impairment, 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.

Paramount was in compliance with the financial covenant under the Paramount Facility at September 30, 2020.

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 a margin within a graduated range depending on the Company's prevailing Senior Secured Debt to Consolidated EBITDA ratio. Following the June 2020 amendments, margin levels were increased and will remain at the highest end of the graduated range until the Covenant Relief Period ends. The Covenant Relief Period may be terminated prior to its expiry at the Company's election.

The Paramount Facility is secured by a charge over substantially all of the assets of Paramount. The maturity date of the Paramount Facility is November 16, 2022, which may be extended at the option of Paramount and with the agreement of the lenders.

Paramount had letters of credit outstanding under the Paramount Facility totaling $2.8 million at September 30, 2020 that reduce the amount available to be drawn on the Paramount Facility.

Unsecured Letter of Credit Facility

In July 2020 the capacity under Paramount's unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank was increased to $70 million.

Paramount's obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada ("EDC"). The term of the PSG was also extended to June 30, 2021 and may be further extended at the option of Paramount and with the agreement of EDC. At September 30, 2020, $40.8 million in letters of credit were outstanding under the LC Facility.

Cash Flow Hedges

The Company had the following floating-to-fixed interest rate and electricity swaps in place at September 30, 2020:

Contract type	Aggregate notional	Remaining term	Average fixed contract rate	Reference	Fair value
Interest Rate Swaps	$250 million	October 2020 - January 2023	2.3%	CDOR (1)	(9.9)
Interest Rate Swaps	$250 million	October 2020 - January 2026	2.4%	CDOR (1)	(21.7)
Electricity Swaps	5 MWh/d (2)	January 2021 - December 2021	$51.68/MWh	AESO Pool Price (3)	–
					(31.6)

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

The Company has classified these arrangements as cash flow hedges and applied hedge accounting. As at September 30, 2020, there were no changes to the critical terms of the hedging relationship and no hedge ineffectiveness was identified.

Share Capital

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

As at October 31, 2020, Paramount had 132,412,223 Common Shares outstanding (net of 1,786,494 Common Shares held in trust under the Company's restricted share unit plan) and 6,681,895 options to acquire Common Shares outstanding, of which 2,432,370 options are exercisable.

QUARTERLY INFORMATION

	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Petroleum and natural gas sales	**138.8**	113.2	172.1	259.9	199.8	209.2	246.1	207.4
Net income (loss)	**(23.3)**	(75.7)	(235.1)	(31.1)	141.0	(121.0)	(76.7)	(170.5)
Per share – basic & diluted ($/share)	***(0.17)***	*(0.57)*	*(1.76)*	*(0.24)*	*1.08*	*(0.93)*	*(0.59)*	*(1.31)*
Cash from (used in) operating activities	**11.4**	(14.2)	30.5	70.5	48.6	48.1	88.5	12.4
Per share – basic & diluted ($/share)	***0.09***	*(0.11)*	*0.23*	*0.54*	*0.37*	*0.37*	*0.68*	*0.10*
Adjusted funds flow	**29.5**	19.0	33.5	93.5	50.9	54.2	100.5	45.5
Per share – basic & diluted ($/share)	***0.22***	*0.14*	*0.25*	*0.71*	*0.39*	*0.41*	*0.77*	*0.35*
Sales volumes								
Natural gas (MMcf/d)	**224.0**	253.2	261.5	299.0	296.6	309.7	308.0	315.2
Condensate and oil (Bbl/d)	**19,782**	22,823	21,898	28,516	24,761	23,312	23,679	24,898
Other NGLs (Bbl/d)	**3,952**	3,817	4,539	7,064	6,851	6,859	6,284	7,059
Total (Boe/d)	**61,064**	68,839	70,022	85,411	81,046	81,793	81,296	84,495
Realized prices								
Natural gas ($/Mcf)	**1.94**	1.94	2.25	2.73	1.58	1.76	3.37	2.73
Condensate and oil ($/Bbl)	**48.74**	29.05	55.92	66.70	65.73	71.02	63.26	45.54
Other NGLs ($/Bbl)	**18.10**	12.28	10.75	13.03	9.78	11.01	28.55	31.39
Total ($/Boe)	**24.70**	18.07	27.01	33.08	26.80	28.10	33.63	26.68

Significant Items Impacting Quarterly Results

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

- The third quarter 2020 loss includes a recovery of $25.6 million related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment.
- The second quarter 2020 loss includes a recovery of $13.6 million related to deferred income tax.
- 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 third 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.

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.

CHANGE 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 12 of the Interim Financial Statements, 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.

Government Grants

Government grants are recognized when there is reasonable assurance that the relevant conditions of the grant are met and that the grant will be received. The Company records the grant in the Interim Financial Statements with the related expenditure in the period in which the eligible costs are incurred. For the three and nine months ended September 30, 2020, the Company recognized $3.1 million and $9.4 million, respectively, relating to the Canada Emergency Wage Subsidy ("CEWS"). In the nine months ended September 30, 2020, general and administrative expenses were reduced by $5.5 million and operating expenses were reduced by $3.4 million related to the CEWS.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the three months ended September 30, 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 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 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 first quarter of 2020. Despite the resolution of the OPEC+ disputes in the latter part of the second quarter of 2020, adverse pricing conditions have persisted as a result of the continuing impact of the COVID-19 pandemic. The course of the COVID-19 pandemic and its ultimate economic impact remain highly uncertain. The ultimate impact of the pandemic on Paramount's future operations and financial performance is 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 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 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. Conditions in 2020 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 condensate and oil 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 economies. 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 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) the 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. 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:

- expected recoveries under Paramount's contingent business interruption insurance related to the Q3 Wapiti Outage;
- planned capital expenditures in 2020;
- anticipated sales volumes in the fourth quarter of 2020;
- preliminary anticipated capital expenditures in 2021 and the resulting expected 2021 average sales volumes and excess of adjusted funds flow over such expenditures;
- planned abandonment and reclamation expenditures using funding under the Alberta Site Rehabilitation Program;
- anticipated operating costs in the fourth quarter of 2020;
- planned exploration, development and production activities;
- the expectation that adjusted funds flow and borrowing capacity under the Paramount Facility will provide sufficient liquidity to fund the Company's operations and remaining capital expenditures for 2020;
- 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 continued impact of the COVID-19 pandemic thereon;
- the continued impact of the COVID-19 pandemic on operations;
- the ability to realize expected cost savings;
- 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 receipt of benefits under government programs;

- the merits of outstanding and pending legal proceedings;
- the application of Paramount's contingent business interruption insurance policy to the Q3 Wapiti Outage; 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;
- changes in capital spending plans and planned exploration and development activities;
- the potential for changes to preliminary anticipated 2021 capital expenditures prior to finalization and changes to the resulting expected 2021 average sales volumes and excess of adjusted funds flow over such expenditures;
- 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, insurance claims, 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 (used in) operating activities before net changes in non-cash working capital, geological and geophysical expenses, asset retirement obligation settlements, closure program expenditures, provision and other 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 significantly 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 (used in) 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 expense, 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 nine months ended September 30, 2020, the value ratio between crude oil and natural gas was approximately 23:1. 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)
For the three and nine months ended September 30, 2020

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

($ thousands)

As at	Note	September 30 2020	December 31 2019
		(Unaudited)	
ASSETS			
Current assets			
Cash and cash equivalents	15	1,054	6,016
Accounts receivable		76,851	118,632
Risk management – current	12	10,363	6,062
Prepaid expenses and other		14,383	10,975
		102,651	141,685
Lease receivable	7	3,361	4,768
Dissent payment entitlement	4	89,250	–
Investments in securities	5	30,860	156,889
Exploration and evaluation	2	626,939	650,414
Property, plant and equipment, net	3	1,593,413	1,914,074
Deferred income tax	11	595,428	663,475
		3,041,902	3,531,305
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		133,921	204,818
Risk management – current	12	9,442	1,757
Asset retirement obligations and other – current	7	30,153	40,288
		173,516	246,863
Long-term debt	6	792,652	632,300
Risk management – long-term	12	23,087	6,275
Asset retirement obligations and other – long-term	7	347,207	562,687
		1,336,462	1,448,125
Commitments and contingencies	16		
Shareholders' equity			
Share capital	8	2,207,593	2,207,485
Accumulated deficit		(546,513)	(128,487)
Reserves	9	44,360	4,182
		1,705,440	2,083,180
		3,041,902	3,531,305

See the accompanying notes to these Interim Condensed Consolidated Financial Statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

($ thousands, except as noted)

	Note	Three months ended September 30 2020	Three months ended September 30 2019	Nine months ended September 30 2020	Nine months ended September 30 2019
Petroleum and natural gas sales		138,756	199,788	424,019	655,027
Royalties		(4,326)	(12,059)	(19,608)	(46,109)
Revenue	13	134,430	187,729	404,411	608,918
Gain (loss) on commodity contracts	12	(2,084)	17,050	32,994	(27,986)
		132,346	204,779	437,405	580,932
Expenses					
Operating expense		62,361	93,772	217,302	270,934
Transportation and NGLs processing		27,817	25,717	76,728	71,924
General and administrative		7,759	12,791	23,745	40,004
Share-based compensation	10	5,605	6,804	6,176	14,333
Depletion, depreciation and impairment	3	54,579	83,277	380,851	248,684
Exploration and evaluation	2	1,708	10,267	25,154	18,024
(Gain) loss on sale of oil and gas assets	3	7,962	(157,315)	8,742	(165,030)
Interest and financing		17,121	9,699	35,869	29,988
Accretion of asset retirement obligations	7	11,002	15,100	32,144	44,506
Change in asset retirement obligations	7	(25,619)	(73,480)	(120,976)	(73,480)
Closure costs	7	–	–	–	13,440
Reorganization costs		–	–	3,048	–
Foreign exchange		351	(171)	31	(52)
		170,646	26,461	688,814	513,275
Change in fair value of securities – warrants	5	(3,297)	(8,819)	(1,657)	(8,819)
Other loss	14	(223)	(1,553)	(6,465)	(408)
Income (loss) before tax		(41,820)	167,946	(259,531)	58,430
Income tax expense (recovery)					
Deferred	11	(18,481)	26,963	74,614	115,146
		(18,481)	26,963	74,614	115,146
Net income (loss)		(23,339)	140,983	(334,145)	(56,716)
Other comprehensive income (loss), net of tax	9				
Items that will be reclassified to net income (loss)					
Change in fair value of cash flow hedges, net of tax		(436)	383	(21,843)	(12,706)
Reclassification to net income (loss), net of tax		1,807	424	3,873	773
Items that will not be reclassified to net income (loss)					
Change in fair value of securities, net of tax		(1,327)	(112,522)	(33,682)	(123,843)
Comprehensive income (loss)		(23,295)	29,268	(385,797)	(192,492)
Net income (loss) per common share ($/share)	8				
Basic and diluted		(0.17)	1.08	(2.50)	(0.44)

See the accompanying notes to these Interim Condensed Consolidated Financial Statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

($ thousands)

	Note	Three months ended September 30 2020	Three months ended September 30 2019	Nine months ended September 30 2020	Nine months ended September 30 2019
Operating activities					
Net income (loss)		**(23,339)**	140,983	**(334,145)**	(56,716)
Add (deduct):					
Items not involving cash	15	**51,133**	(92,535)	**402,180**	254,680
Asset retirement obligations settled	7	**(732)**	(3,620)	**(34,947)**	(11,403)
Closure program expenditures	7	**–**	(4,909)	**–**	(9,298)
Change in non-cash working capital		**(15,626)**	8,656	**(5,356)**	7,914
Cash from operating activities		**11,436**	48,575	**27,732**	185,177
Financing activities					
Net draw (repayment) of revolving long-term debt	6	**37,119**	(188,771)	**159,752**	(94,077)
Lease liabilities – principal repayments	7	**(1,897)**	(1,879)	**(5,671)**	(5,555)
Common Shares issued, net of issue costs		**–**	–	**15**	110
Common Shares repurchased under NCIB		**–**	(212)	**–**	(212)
Common Shares purchased under restricted share unit plan	10	**–**	(4,516)	**–**	(4,516)
Cash from (used in) financing activities		**35,222**	(195,378)	**154,096**	(104,250)
Investing activities					
Property, plant and equipment and exploration		**(50,512)**	(127,534)	**(155,763)**	(331,902)
Sale of oil and gas assets		**389**	328,314	**(1,743)**	328,956
Investments		**(60)**	(49,308)	**(997)**	(55,338)
Change in non-cash working capital		**3,160**	(13,079)	**(27,817)**	(30,612)
Cash from (used in) investing activities		**(47,023)**	138,393	**(186,320)**	(88,896)
Net decrease		**(365)**	(8,410)	**(4,492)**	(7,969)
Foreign exchange on cash and cash equivalents		**(190)**	215	**(470)**	(235)
Cash and cash equivalents, beginning of period		**1,609**	19,286	**6,016**	19,295
Cash and cash equivalents, end of period		**1,054**	11,091	**1,054**	11,091

Supplemental cash flow information 15

See the accompanying notes to these Interim Condensed Consolidated Financial Statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

($ thousands, except as noted)

Nine months ended September 30	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		***1***	**19**	*13*	158
Common Shares purchased and cancelled under NCIB		***–***	**–**	*(33)*	(212)
Change in vested and unvested Common Shares for restricted share unit plan	10	***446***	**89**	*(286)*	216
Balance, end of period	8	***133,784***	**2,207,593**	*130,020*	2,184,770
Retained earnings (accumulated deficit)					
Balance, beginning of period			**(128,487)**		21,189
Net loss			**(334,145)**		(56,716)
Reclassification of accumulated losses on securities			**(83,881)**		–
Balance, end of period			**(546,513)**		(35,527)
Reserves	9				
Balance, beginning of period			**4,182**		44,732
Other comprehensive loss			**(51,652)**		(135,776)
Contributed surplus			**7,949**		12,555
Reclassification of accumulated losses on securities			**83,881**		–
Balance, end of period			**44,360**		(78,489)
Total shareholders' equity			**1,705,440**		2,070,754

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 Inc. 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. Intercompany balances and transactions have been eliminated.

These unaudited Interim Condensed Consolidated Financial Statements of the Company, as at and for the three and nine months ended September 30, 2020 (the "Interim Financial Statements"), were authorized for issuance by the Audit Committee of Paramount's Board of Directors on November 4, 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 12, 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.

Government Grants

Government grants are recognized when there is reasonable assurance that the relevant conditions of the grant are met and that the grant will be received. The Company records the grant in the Interim Financial Statements with the related expenditure in the period in which the eligible costs are incurred. For the three and nine months ended September 30, 2020, the Company recognized $3.1 million and $9.4 million, respectively, relating to the Canada Emergency Wage Subsidy ("CEWS"). In the nine months ended

September 30, 2020, general and administrative expenses were reduced by $5.5 million and operating expenses were reduced by $3.4 million related to the CEWS.

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.

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 first quarter of 2020. Despite the resolution of the OPEC+ disputes in the latter part of the second quarter of 2020, adverse pricing conditions have persisted as a result of the continuing impact of the COVID-19 pandemic. The course of the COVID-19 pandemic and its ultimate economic impact remain highly uncertain. The ultimate impact of the pandemic on Paramount's future operations and financial performance is 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 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 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. Conditions in 2020 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.

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

2. Exploration and Evaluation

	Nine months ended September 30, 2020	Twelve months ended December 31, 2019
Balance, beginning of period	650,414	719,908
Additions	3,293	5,643
Acquisitions	–	6,127
Change in asset retirement provision	(1,337)	(392)
Transfers to property, plant and equipment	24	(66,961)
Expired lease costs	(18,921)	(10,173)
Dispositions	(6,534)	(3,738)
Balance, end of period	626,939	650,414

Exploration and Evaluation Expense

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Geological and geophysical	1,708	2,436	6,233	7,551
Expired lease costs	–	7,831	18,921	10,473
	1,708	10,267	25,154	18,024

At September 30, 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

Nine months ended September 30, 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	155,391	980	(150)	1,552	157,773
Transfers from exploration and evaluation	(24)	–	–	–	(24)
Dispositions	(34,466)	(99)	–	(552)	(35,117)
Change in asset retirement provision	(89,789)	–	–	–	(89,789)
Cost, end of period	4,027,219	162,070	15,810	47,702	4,252,801
Accumulated depletion, depreciation and impairment					
Balance, beginning of period	(2,177,753)	(89,871)	(5,296)	(32,964)	(2,305,884)
Depletion and depreciation	(177,649)	(7,605)	(2,755)	(3,430)	(191,439)
Impairment	(191,796)	–	–	–	(191,796)
Dispositions	29,118	99	–	514	29,731
Accumulated depletion, depreciation and impairment, end of period	(2,518,080)	(97,377)	(8,051)	(35,880)	(2,659,388)
Net book value, December 31, 2019	1,818,354	71,318	10,664	13,738	1,914,074
Net book value, September 30, 2020	1,509,139	64,693	7,759	11,822	1,593,413

In the third quarter of 2019, Paramount closed the sale of its Karr 6-18 natural gas facility and related midstream assets located in the Grande Prairie cash generating unit ("CGU"), for gross cash proceeds of $331.6 million. A gain of $153.7 million was recognized on the sale.

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

Depletion, Depreciation and Impairment

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Depletion and depreciation	54,579	83,277	189,055	248,684
Impairment of petroleum and natural gas assets	–	–	191,796	–
	54,579	83,277	380,851	248,684

At September 30, 2020, the Company assessed its property, plant and equipment for indicators of potential impairment or impairment reversal and none were identified.

At March 31, 2020, the Company recorded impairments of $188.3 million and $3.5 million related to petroleum and natural gas assets in the Kaybob and Northern 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 prevailing 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 at March 31, 2020: (1)

	(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.

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

4. Dissent Payment Entitlement

As at	September 30, 2020	December 31, 2019
Dissent Payment Entitlement	89,250	–

Paramount held 85 million common shares of Strath Resources Ltd. ("Strath") prior to its amalgamation with Cona Resources Ltd. in August 2020 to form Strathcona Resources Ltd. ("Strathcona"). Paramount objected to the amalgamation and exercised its right of dissent under section 191 of the *Business Corporations Act* (Alberta) (the "ABCA") with respect to its Strath shares. As a result, the Company is entitled to be paid in cash the fair value of its Strath shares, determined as of the close of business on July 24, 2020 (the "Dissent Payment Entitlement").

The amount of the Dissent Payment Entitlement and the timing of the payment thereof are uncertain. Paramount has applied to the Court of Queen's Bench of Alberta (the "Court") seeking Strathcona's payment of the Dissent Payment Entitlement. Strathcona made a statutorily required offer with respect to the Dissent Payment Entitlement in the amount of $45 million (the "Offered Amount"). Paramount has rejected such offer and applied to the Court for an interim payment of the Offered Amount pending final determination of the amount of the Dissent Payment Entitlement. In the event the parties are unable to agree on the amount of the Dissent Payment Entitlement, the final amount will be determined by the Court. Any payment of the Dissent Payment Entitlement will be subject to the satisfaction by Strathcona of the solvency tests provided in the ABCA.

The Dissent Payment Entitlement is a financial instrument measured at amortized cost and was recorded based on valuation techniques and assumptions that incorporate unobservable inputs (level three fair value hierarchy inputs), including market-based metrics of comparable companies and transactions and other indicators of value.

5. Investments in Securities

As at	September 30, 2020	December 31, 2019
Level one fair value hierarchy securities	24,489	88,439
Level three fair value hierarchy securities	6,371	68,450
	30,860	156,889

For the three months ended September 30, 2020 and the nine months ended September 30, 2020, the Company recorded a charge of $1.4 million and a charge of $36.1 million, respectively, to other comprehensive income ("OCI") as a result of changes in the fair value estimates of investments in level one fair value hierarchy securities ("Level One Securities") and investments in level three fair value hierarchy securities ("Level Three Securities"). For the three and nine months ended September 30, 2020, the Company recorded losses of $3.3 million and $1.7 million, respectively, related to a change in the estimated fair value of warrants. Accumulated losses of $69.9 million were reclassified from accumulated OCI to accumulated deficit related to the Company's exercise of its Strath dissent rights (see Note 4).

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

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

	Nine months ended September 30, 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	(64,947)	6,330
Changes in fair value of Level Three Securities (1) – recorded in OCI	28,828	(118,104)
Transfer to Dissent Payment Entitlement (see Note 4)	(89,250)	–
Changes in fair value of warrants (2) – recorded in earnings	(1,657)	(9,162)
Acquired – cash	997	55,143
Acquired – non-cash	–	4,501
Dispositions	–	(13,551)
Investments in securities, end of period	30,860	156,889

(1) Primarily related to the change in fair value of Strath common shares.
(2) Strathcona warrants (previously the Strath warrants).

6. Long-Term Debt

As at	September 30, 2020 (1)	December 31, 2019
Paramount Facility	792,652	632,300

(1) September 30, 2020 Paramount Facility balance is presented net of $2.5 million in unamortized costs related to the June 2020 facility amendments.

Paramount Facility

The Paramount Facility is a financial covenant-based senior secured revolving bank credit facility.

In June 2020, the Paramount Facility was amended, which amendments included:

- a period of financial covenant relief to and including June 30, 2021 (the "Covenant Relief Period"), providing for a full waiver of the Senior Secured Debt to Consolidated EBITDA covenant and a reduction of the Consolidated EBITDA to Consolidated Interest Expense covenant in certain periods; and

- a decrease in the size of the Paramount Facility to $1.0 billion.

Availability of the Paramount Facility in excess of $900 million is subject to the Company raising junior capital and obtaining required levels of lender approval. Availability will be increased by $5 million for each $10 million of junior capital raised, subject to certain limits.

During the Covenant Relief Period, Paramount is subject to the following financial covenant, tested at the end of each fiscal quarter:

Consolidated EBITDA to Consolidated Interest Expense to be:

- 2.50 to 1.00 or greater for the quarter ending September 30, 2020, calculated on a trailing twelve-month basis;

- 1.75 to 1.00 or greater for the quarter ending December 31, 2020, calculated on a trailing twelve-month basis; and

- 1.75 to 1.00 or greater for the quarters ending March 31, 2021 and June 30, 2021, calculated on a current quarter basis.

After the Covenant Relief Period, Paramount will be subject to the following financial covenants, tested at the end of each fiscal quarter and calculated on a trailing twelve-month basis:

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

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

Consolidated EBITDA is adjusted for material acquisitions and dispositions and is generally calculated as net income before Consolidated Interest Expense, taxes, depletion, depreciation, amortization, impairment, 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.

Paramount was in compliance with the financial covenant under the Paramount Facility at September 30, 2020.

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 a margin within a graduated range depending on the Company’s prevailing Senior Secured Debt to Consolidated EBITDA ratio. Following the June 2020 amendments, margin levels were increased and will remain at the highest end of the graduated range until the Covenant Relief Period ends. The Covenant Relief Period may be terminated prior to its expiry at the Company’s election.

The Paramount Facility is secured by a charge over substantially all of the assets of Paramount. The maturity date of the Paramount Facility is November 16, 2022, which may be extended at the option of Paramount and with the agreement of the lenders.

Paramount had letters of credit outstanding under the Paramount Facility totaling $2.8 million at September 30, 2020 that reduce the amount available to be drawn on the Paramount Facility.

Unsecured Letter of Credit Facility

In July 2020 the capacity under Paramount’s unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank was increased to $70 million.

Paramount’s obligations under the LC Facility are supported by a performance security guarantee ("PSG") from Export Development Canada ("EDC"). The term of the PSG was also extended to June 30, 2021 and may be further extended at the option of Paramount and with the agreement of EDC. At September 30, 2020, $40.8 million in letters of credit were outstanding under the LC Facility.

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

7. Asset Retirement Obligations and Other

As at September 30, 2020	Current	Long-term	Total
Asset retirement obligations	20,200	332,913	353,113
Lease liabilities	9,953	14,294	24,247
Asset retirement obligations and other	**30,153**	**347,207**	**377,360**

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

	Nine months ended September 30, 2020	Twelve months ended December 31, 2019
Asset retirement obligations, beginning of period	569,897	807,921
Additions	498	11,705
Change in estimates (1)	7,535	(171,404)
Change in discount rate	(220,092)	(33,269)
Obligations settled	(34,947)	(29,441)
Dispositions	(1,922)	(72,273)
Accretion expense	32,144	56,658
Asset retirement obligations, end of period	353,113	569,897

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

As at September 30, 2020, estimated undiscounted, uninflated asset retirement obligations were $1,345.8 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 13.5 percent (December 31, 2019 – 8.0 percent) and an inflation rate of 2.0 percent (December 31, 2019 – 2.0 percent).

For the nine months ended September 30, 2020, the Company recorded a recovery of $121.0 million (nine months ended September 30, 2019 - $73.5 million) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment. The changes in 2020 mainly resulted from revisions 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 nine months ended September 30, 2020, total cash payments made in respect of these lease liabilities, net of sublease arrangements, were $6.5 million, of which $0.8 million was recognized as interest and financing expense.

For the nine months ended September 30, 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 $2.6 million.

As at September 30, 2020, $5.7 million was due to the Company in respect of sublease arrangements for Paramount's office space, of which $2.3 million was classified as current and $3.4 million was classified as non-current. For the nine months ended September 30, 2020, $1.9 million was received in respect of office sublease arrangements, of which $0.3 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.

8. Share Capital

As at September 30, 2020, 133,784,323 (December 31, 2019 – 133,337,058) class A common shares of the Company ("Common Shares") were outstanding, net of 414,394 (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 September 30, 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 September 30	**2020**		**2019**	
	Wtd. Avg Shares (000's)	**Net loss**	***Wtd. Avg Shares (000's)***	**Net income**
Net income (loss) – basic	*133,784*	(23,339)	*130,064*	140,983
Dilutive effect of Paramount Options	–	–	–	–
Net income (loss) – diluted	*133,784*	(23,339)	*130,064*	140,983

Nine months ended September 30	**2020**		**2019**	
	Wtd. Avg Shares (000's)	**Net loss**	***Wtd. Avg Shares (000's)***	**Net loss**
Net loss – basic	*133,615*	(334,145)	*130,332*	(56,716)
Dilutive effect of Paramount Options	–	–	–	–
Net loss – diluted	*133,615*	(334,145)	*130,332*	(56,716)

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 6.7 million options to acquire Common Shares ("Paramount Options") outstanding at September 30, 2020 (September 30, 2019 – 9.7 million), all of which were anti-dilutive.

9. Reserves

Nine months ended September 30, 2020	Unrealized gains (losses) on cash flow hedges	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	(23,537)	(36,119)	–	(59,656)
Deferred tax	5,567	2,437	–	8,004
Reclassification of accumulated losses on securities	–	83,881	–	83,881
Share-based compensation	–	–	7,953	7,953
Paramount Options exercised	–	–	(4)	(4)
Balance, end of period	**(24,130)**	**(97,475)**	**165,965**	**44,360**

For the nine months ended September 30, 2020, accumulated losses of $83.9 million were reclassified from accumulated OCI to accumulated deficit related to the Company's exercise of its Strath dissent rights (see Note 4) and the derecognition of an investment classified as Level One Securities.

10. Share-Based Compensation

Paramount Options

	Nine months ended September 30, 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	*60,000*	2.62	*3,565,930*	6.66
Exercised [(1)]	*(2,000)*	7.28	*(21,430)*	7.84
Cancelled or forfeited	*(4,323,329)*	18.08	*(3,683,801)*	18.73
Expired	*(1,364,238)*	11.85	*(14,400)*	11.90
Balance, end of period	***6,681,895***	**8.31**	*12,311,462*	12.16
Options exercisable, end of period	***1,172,489***	**11.24**	*4,442,966*	15.00

(1) For Paramount Options exercised during the nine months ended September 30, 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

	Nine months ended September 30, 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	*(446)*	(89)	*(427)*	(5,337)
Balance, end of period	***414***	**1,299**	*860*	1,388

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

11. 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 September 30		Nine months ended September 30	
	2020	**2019**	**2020**	**2019**
Income (loss) before tax	**(41,820)**	167,946	**(259,531)**	58,430
Effective Canadian statutory income tax rate	**25.1%**	26.5%	**25.1%**	26.5%
Expected income tax expense (recovery)	**(10,497)**	44,506	**(65,142)**	15,484
Effect on income taxes of:				
Change in statutory and other rates	**(874)**	(5,324)	**7,839**	100,596
Share-based compensation	**1,378**	1,734	**1,996**	3,340
(Gain) loss on sale of oil and gas assets	**–**	(17,129)	**411**	(17,129)
Change in value of investments	**828**	2,337	**416**	2,337
Derecognition of deferred income tax asset	**(7,770)**	314	**126,482**	765
Flow-through share renunciations	**–**	–	**3,617**	–
Non-deductible items and other	**(1,546)**	525	**(1,005)**	9,753
Income tax expense (recovery)	**(18,481)**	26,963	**74,614**	115,146

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. In the first quarter of 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.

12. Financial Instruments and Risk Management

Financial Instruments

Financial instruments at September 30, 2020 consist of cash and cash equivalents, accounts receivable, risk management assets and liabilities, the Dissent Payment Entitlement, investments in securities, accounts payable and accrued liabilities and the Paramount Facility. The carrying values of these financial instruments approximate their fair values.

Level One Securities are carried at their period-end trading price. Estimates of fair values for 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.

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

Risk Management

Assets

As at	September 30, 2020	December 31, 2019
Financial commodity contracts – current	10,363	6,062
Risk management asset	**10,363**	6,062

Liabilities

As at	September 30, 2020	December 31, 2019
Interest rate swaps – current	(9,442)	(1,757)
Interest rate swaps – long-term	(22,127)	(6,275)
Financial commodity contracts – long-term	(960)	–
Risk management liability	**(32,529)**	(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:

	Nine months ended September 30, 2020	Twelve months ended December 31, 2019
Fair value, beginning of period	6,062	64,441
Changes in fair value – financial commodity contracts	33,954	(45,169)
Settlements received – financial commodity contracts	(29,653)	(13,210)
Fair value, end of period	**10,363**	6,062

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

	Nine months ended September 30, 2020	Twelve months ended December 31, 2019
Fair value, beginning of period	(8,032)	–
Changes in fair value – interest rate swaps	(28,602)	(9,568)
Changes in fair value – financial commodity contracts	(960)	–
Settlements paid – interest rate swaps	5,065	1,536
Fair value, end of period	**(32,529)**	(8,032)

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

The Company had the following financial commodity contracts in place at September 30, 2020:

Instruments	Aggregate notional	Average fixed price	Fair value	Remaining term
Oil – NYMEX WTI Swaps (Sale)	4,000 Bbl/d	CDN$80.11/Bbl	9,590	October 2020 – December 2020
Oil – NYMEX WTI Swaps (Sale)	11,000 Bbl/d	US$42.91/Bbl	1,182	October 2020
Oil – NYMEX WTI Swaps (Sale)	9,000 Bbl/d	US$43.30/Bbl	990	November 2020
Oil – NYMEX WTI Swaps (Sale)	9,000 Bbl/d	US$43.51/Bbl	970	December 2020
Oil – NYMEX WTI Swaps (Sale)	5,000 Bbl/d	US$44.10/Bbl	3,962	January 2021 – December 2021
Gas – Ventura Swaps (Sale) (1)	20,000 MMBtu/d	US$1.69/MMBtu	(152)	October 2020
Gas – Chicago Swaps (Sale) (1)	20,000 MMBtu/d	US$1.71/MMBtu	(238)	October 2020
Gas – NYMEX Swaps (Sale)	20,000 MMBtu/d	US$2.34/MMBtu	197	October 2020
Gas – NYMEX Swaps (Sale)	30,000 MMBtu/d	US$2.92/MMBtu	(769)	November 2020 – March 2021
Gas – NYMEX Swaps (Sale)	20,000 MMBtu/d	US$2.67/MMBtu	114	November 2020
Gas – NYMEX Swaps (Sale)	40,000 MMBtu/d	US$3.04/MMBtu	(121)	December 2020
Gas – NYMEX Swaps (Sale)	60,000 MMBtu/d	US$2.71/MMBtu	(6,322)	January 2021 to December 2021
			9,403	

(1) These contracts swap physical sales of Alberta natural gas production from Chicago and Ventura index pricing to fixed prices.

Subsequent to September 30, 2020, the Company entered into the following financial commodity contracts:

Instruments	Volume	Differential	Remaining term
Oil – Edmonton Condensate WTI Differential Swap (Sale)	1,000 Bbl/d	WTI + US$0.50/Bbl	January 2021 – March 2021

The Company had the following floating-to-fixed interest rate and electricity swaps in place at September 30, 2020:

Contract type	Aggregate notional	Remaining term	Average fixed contract rate	Reference	Fair value
Interest Rate Swaps	$250 million	October 2020 - January 2023	2.3%	CDOR (1)	(9,849)
Interest Rate Swaps	$250 million	October 2020 - January 2026	2.4%	CDOR (1)	(21,720)
Electricity Swaps	5 MWh/d (2)	January 2021 - December 2021	$51.68/MWh	AESO Pool Price (3)	–
					(31,569)

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

The Company has classified these arrangements as cash flow hedges and applied hedge accounting. As at September 30, 2020, there were no changes to the critical terms of the hedging relationship and no hedge ineffectiveness was identified.

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

13. Revenue By Product

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Natural gas	39,984	43,094	138,245	185,933
Condensate and oil	88,700	149,741	260,478	435,211
Other natural gas liquids	6,583	6,164	15,291	29,186
Royalty and other	3,489	789	10,005	4,697
Royalties	(4,326)	(12,059)	(19,608)	(46,109)
	134,430	187,729	404,411	608,918

14. Other Loss

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Provision	–	–	(4,669)	–
Other	(223)	(1,553)	(1,796)	(408)
	(223)	(1,553)	(6,465)	(408)

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

15. Consolidated Statement of Cash Flows - Selected Information

Items Not Involving Cash

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Commodity contracts	11,901	(11,397)	(3,341)	36,476
Share-based compensation	5,605	6,804	6,176	14,333
Depletion, depreciation and impairment	54,579	83,277	380,851	248,684
Exploration and evaluation	–	7,831	18,921	10,473
(Gain) loss on sale of oil and gas assets	7,962	(157,315)	8,742	(165,030)
Accretion of asset retirement obligations	11,002	15,100	32,144	44,506
Change in asset retirement obligations	(25,619)	(73,480)	(120,976)	(73,480)
Closure costs	–	–	–	13,440
Foreign exchange	189	(215)	470	234
Change in fair value of securities - warrants	3,297	8,819	1,657	8,819
Deferred income tax	(18,481)	26,963	74,614	115,146
Other	698	1,078	2,922	1,079
	51,133	(92,535)	402,180	254,680

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

Supplemental Cash Flow Information

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Interest paid	15,993	8,501	31,566	27,783

Components of Cash and Cash Equivalents

As at	September 30, 2020	December 31, 2019
Cash	1,054	6,016
Cash equivalents	–	–
	1,054	6,016

16. Commitments and Contingencies

Commitments – Physical Sale Contracts

The Company had the following AECO fixed-price physical contracts in place at September 30, 2020:

Quantity	Location	Average fixed price	Remaining term
90,000 GJ/d	AECO	CDN$1.66/GJ	October 2020
10,000 GJ/d	AECO	CDN$2.45/GJ	October 2020 – December 2020
40,000 GJ/d	AECO	CDN$2.68/GJ	November 2020 – March 2021
50,000 GJ/d	AECO	CDN$2.51/GJ	January 2021 – December 2021

Commitment – Acquisition of Securities

On September 30, 2020, the Company executed a block trade to acquire 17.3 million common shares of NuVista Energy Ltd. ("NuVista Shares") at a price of $0.61 per share for an aggregate purchase price of $10.6 million. The block trade settled in October 2020. As at September 30, 2020, the Company owned 22.4 million NuVista Shares that were included in Investments in Securities and classified as Level One Securities. Immediately following settlement of the block trade, Paramount owned 39.8 million NuVista Shares, representing 17.6 percent of the outstanding NuVista Shares.

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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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”)