Paramount Resources Ltd.

Paramount Resources Ltd. Provides Operations Update and Revised 2020 Guidance

CALGARY, AB, Sept. 14, 2020 /CNW/ - Paramount Resources Ltd. ("Paramount" or the "Company") (TSX: POU) is pleased to provide an update on its operations and 2020 guidance.

HIGHLIGHTS

- The Company is accelerating $60 million of development activities at Karr and Wapiti from 2021 into the second half of 2020.
- Sales volumes are now expected to average between 62,500 and 67,500 Boe/d in the second half of 2020, reflecting the impact of the previously announced unscheduled outage at the third-party natural gas processing facility at Wapiti (the "Wapiti Plant").
    - The Wapiti Plant is currently anticipated to be operational the week of September 21, 2020.
- Operating costs are expected to average approximately $12/Boe in the second half of 2020 as a result of the Company's efforts in sustainably improving its cost structure.
- Five wells on the 2-1 pad at Karr have been brought on production with encouraging results.
- Paramount has executed additional 2020 and 2021 liquids and natural gas hedges.

OPERATIONS UPDATE

The Company recently brought onstream all five wells on the 2-1 pad at Karr. Production continues to ramp up as wells unload completion fluids. Over the last seven days, the wells have averaged 914 Bbl/d per well of raw wellhead liquids (1,686 Boe/d raw wellhead total), resulting in an average condensate to gas ratio of 198 Bbl/MMcf.[(1)] All-in lease construction, drilling, completion, equip and tie-in (collectively, "DCET") costs are estimated at $7.5 million per well. This represents a 37 percent reduction compared with average DCET costs for all Karr wells in 2018 and 2019. Paramount continues to make excellent progress in reducing DCET costs while not compromising on completion effectiveness.

In addition, the Company continues to focus on sustainable improvements in its operating cost structure and now anticipates corporate unit operating costs to average approximately $12/Boe for the second half of 2020.

At Wapiti, production continues to be shut-in due to the unplanned outage at the Wapiti Plant. The operator of the Wapiti Plant has advised Paramount that repairs are expected to be complete and the plant operational the week of September 21, 2020. The impact of this outage is estimated at approximately 2,500 Boe/d for the second half of 2020.

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(1) Production measured at the wellhead. Sales volumes are lower by approximately 7 percent due to shrinkage. 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. Condensate to gas ratio is calculated by dividing raw wellhead liquids volumes by raw wellhead natural gas volumes. See Oil and Gas Measures and Definitions in the Advisories section.

HEDGING

Paramount has undertaken an active hedging program and, since the second quarter, has added several additional hedges to provide greater funds flow certainty and further protect the Company's capital program.

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

- Natural Gas:
  Rest of 2020 ~71,000 MMBtu/d at US$2.27/MMBtu
  ~81,100 GJ/d at CDN$2.02/GJ

  2021 ~67,500 MMBtu/d at US$2.73/MMBtu
  ~60,000 GJ/d at CDN$2.54/GJ

- Oil:
  Rest of 2020 ~15,500 Bbl/d at US$47.57/Bbl [(1)]
  2021 5,000 Bbl/d at US$44.10/Bbl

Details of the Company's hedge position are shown below.

Oil	Volume	Price	Remaining term
NYMEX WTI Swaps (Sale)	4,000 Bbl/d	CDN$80.11/Bbl	September 2020 – December 2020
NYMEX WTI Swaps (Sale)	17,000 Bbl/d	US$42.24/Bbl	September 2020
NYMEX WTI Swaps (Sale)	11,000 Bbl/d	US$42.91/Bbl	October 2020
NYMEX WTI Swaps (Sale)	9,000 Bbl/d	US$43.30/Bbl	November 2020
NYMEX WTI Swaps (Sale)	9,000 Bbl/d	US$43.51/Bbl	December 2020
NYMEX WTI Swaps (Sale)	5,000 Bbl/d	US$44.10/Bbl	January 2021 – December 2021

Gas	Volume	Price	Remaining term
Ventura Swaps (Sale) (2)	20,000 MMBtu/d	US$1.69/MMBtu	September 2020 – October 2020
Chicago Swaps (Sale) (2)	20,000 MMBtu/d	US$1.71/MMBtu	September 2020 – October 2020
NYMEX Swaps (Sale)	20,000 MMBtu/d	US$2.17/MMBtu	September 2020
NYMEX Swaps (Sale)	20,000 MMBtu/d	US$2.34/MMBtu	October 2020
NYMEX Swaps (Sale)	30,000 MMBtu/d	US$2.92/MMBtu	November 2020 – March 2021
NYMEX Swaps (Sale)	20,000 MMBtu/d	US$2.67/MMBtu	November 2020
NYMEX Swaps (Sale)	40,000 MMBtu/d	US$3.04/MMBtu	December 2020
NYMEX Swaps (Sale)	60,000 MMBtu/d	US$2.71/MMBtu	January 2021 – December 2021
Dawn fixed-price physical	45,000 MMBtu/d	US$1.56/MMBtu	September 2020
AECO fixed-price physical	90,000 GJ/d	CDN$1.66/GJ	September 2020 – October 2020
AECO fixed-price physical	10,000 GJ/d	CDN$2.45/GJ	September 2020 – December 2020
AECO fixed-price physical	25,000 GJ/d	CDN$1.85/GJ	September 2020
AECO fixed-price physical	40,000 GJ/d	CDN$2.68/GJ	November 2020 – March 2021
AECO fixed-price physical	50,000 GJ/d	CDN$2.51/GJ	January 2021 – December 2021

(1) Includes CDN$ denominated oil hedges converted to US$ at the FX strip effective September 3, 2020.
(2) These hedges swap physical sales of Alberta natural gas production from Chicago and Ventura index pricing to fixed prices.

REVISED 2020 GUIDANCE

Paramount is accelerating activities at Karr and Wapiti and increasing its 2020 capital guidance to $225 million from $165 million. The additional capital spending will grow 2021 Montney production at Karr and Wapiti, with the acceleration enabling the Company to continue to maximize capital efficiencies, drive down per unit operating costs and increase adjusted funds flow. Paramount now expects higher production in 2021 to drive adjusted funds flow at recent strip pricing in excess of anticipated 2021 capital spending, reducing the Company's debt levels and strengthening leverage metrics. Paramount expects to finalize its 2021 capital budget in the first quarter of 2021.

The following development projects at Karr are being accelerated:

- Completion operations on the five-well 5-16 West pad, initially scheduled for 2021, have recently commenced with all five wells anticipated to come onstream late this year.
- Drilling operations on the six-well 3-10 pad are scheduled to commence in September with the Company planning to complete, tie-in and bring on production all six wells in the first half of 2021.
- Lease construction for the five-well 7-18 pad, initially scheduled for 2021, has commenced. Drilling will commence in December 2020.

The following additional development projects are anticipated at Wapiti:

- Completion operations on the five-well 5-3 West pad are scheduled to commence in October with all five wells anticipated to be on production by early 2021.
- The remaining six wells on the eight-well 6-4 pad will be drilled in late 2020 with the Company planning to complete, tie-in and bring on production all eight wells in mid-2021.

The Company continues to retain the flexibility to adjust its plans depending on prevailing market conditions.

As a result of the impact of the unscheduled outage at the Wapiti Plant, including the time required to restore shut-in Wapiti volumes to full production, Paramount expects sales volume to average between 62,500 and

67,500 Boe/d in the second half of 2020, broken out by quarter as follows:

- 60,000 to 62,000 Boe/d for the third quarter;
- 67,000 to 72,000 Boe/d for the fourth quarter.

Assuming realized pricing of $28/Boe, operating costs of $12/Boe, and the midpoint of the production guidance range, Paramount expects that capital spending will exceed adjusted funds flow by approximately $40 million for the second half of 2020. The outspend will be funded with available capacity under the Company's senior secured revolving bank credit facility.

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".

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 second half of 2020, including anticipated sales volumes in the third and fourth quarter of 2020;
- expected operating costs in the second half of 2020;
- estimated DCET costs;
- the expected timing of the completion of repairs and return to operation of the Wapiti Plant;
- the estimated impact of the outage of the Wapiti Plant on second half production;
- planned exploration, development and production activities;
- the impact of increased capital spending on the Company's ability to maximize capital efficiencies, drive down per unit operating costs and increase adjusted funds flow;
- the expectation that higher production in 2021 will drive adjusted funds flow at recent strip pricing in excess of anticipated 2021 capital spending, reducing the Company's debt levels and strengthening leverage metrics;
- the expected timing of the finalization of the 2021 capital budget; and
- the expectation that capital spending will exceed adjusted funds flow by approximately $40 million for the second half of 2020 and the funding of the resulting outspend with available capacity under the Company's senior secured revolving bank credit facility.

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;
- the extent of damage to the Wapiti Plant and the time required to complete repairs to the Wapiti Plant and return it to operation;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates and interest rates;
- general business, economic and market conditions;
- the ability of Paramount to obtain the required capital to finance its exploration, development and other operations and meet its commitments and financial obligations;
- the ability of Paramount to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its activities;
- the ability of Paramount to secure adequate product processing, transportation, fractionation, and storage capacity on acceptable terms and the capacity and reliability of facilities;
- the ability of Paramount to market its natural gas and liquids successfully to current and new customers;
- the ability of Paramount and its industry partners to obtain drilling success (including in respect of anticipated production volumes, reserves additions, liquids yields and resource recoveries) and operational

improvements, efficiencies and results consistent with expectations;
- the timely receipt of required governmental and regulatory approvals;
- the application of regulatory requirements respecting abandonment and reclamation; and
- anticipated timelines and budgets being met in respect of drilling programs and other operations (including well completions and tie-ins, the construction, commissioning and start-up of new and expanded facilities, including third-party facilities, and facility turnarounds and maintenance).

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

The foregoing list of risks is not exhaustive. For more information relating to risks, see the sections titled "*Risk Factors*" in Paramount's annual information form for the year ended December 31, 2019 and in the MD&A, which are available on SEDAR at www.sedar.com. The forward-looking information contained in this press release is made as of the date hereof and, except as required by applicable securities law, Paramount undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

Non-GAAP Measures

In this press release, "adjusted funds flow" is used, which is a Non-GAAP measure that does 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 operating non-cash working capital, geological and geophysical expenses, reorganization costs, asset retirement obligation settlements and provision and other. Adjusted funds flow is used to assist management and investors in measuring the Company's ability to fund capital programs and meet financial obligations, including the settlement of asset retirement obligations. Asset retirement obligation settlements are excluded from the calculation of adjusted funds flow because such expenditures are not directly linked to the revenue generating activities of the Company. Paramount manages the timing of expenditures related to asset retirement obligation settlements in accordance with regulatory requirements and its overall approach to managing its asset retirement obligations and, as a result, amounts incurred may vary from period to period. Adjusted funds flow is not intended to represent cash from operating activities, net loss or any other GAAP measure and should not be construed as being an alternative to, or more meaningful than, cash flow from operating activities as determined in accordance with IFRS. The following are the calculations of adjusted funds flow from the nearest GAAP measure for the three months ended June 30, 2020 and March 31, 2020:

Three months ended	Jun 30, 2020 (MM$)	Mar 31, 2020 (MM$)
Cash from (used in) operating activities	**(14.2)**	**30.5**
Change in non-cash working capital	24.0	(34.3)
Geological and geophysical expenses	1.9	2.6
Asset retirement obligations settled	4.0	30.3
Reorganization costs	3.0	-
Provision and other	0.3	4.4
Adjusted funds flow	**19.0**	**33.5**

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. 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 natural gas liquids (ethane, propane and butane).

Abbreviations

Liquids		**Natural Gas**	
Bbl	Barrels	GJ	Gigajoules
Bbl/d	Barrels per day	GJ/d	Gigajoules per day
MBbl	Thousands of barrels	Mcf	Thousands of cubic feet
NGLs	Natural gas liquids	MMcf	Millions of cubic feet
Condensate	Pentane and heavier hydrocarbons	MMcf/d	Millions of cubic feet per day
		AECO	AECO-C reference price
Oil Equivalent		WTI	West Texas Intermediate
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		

This press release contains disclosures expressed as "Boe", "$/Boe" and "Boe/d". Natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil when converting natural gas to Boe. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. For the six months ended June 30, 2020, the value ratio between crude oil and natural gas was approximately 22:1. 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 "condensate to gas ratio", a metric commonly used in the oil and natural gas industry. Condensate to gas ratio 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.

SOURCE Paramount Resources Ltd.

For further information: Paramount Resources Ltd., J.H.T. (Jim) Riddell, President and Chief Executive Officer and Chairman, Rodrigo (Rod) Sousa, Executive Vice President, Corporate Development and Planning, Paul Kinvig, Chief Financial Officer, www.paramountres.com, Phone: (403) 290-3600

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