

Paramount Resources Ltd. Announces Closing of Disposition, Special Dividend and Updated Guidance

CALGARY, AB, Jan. 11, 2023 Paramount Resources Ltd. ("Paramount" or the "Company") (TSX: POU) is pleased to announce the closing of the disposition of its Kaybob Smoky and Kaybob South Duvernay properties and a special dividend of \$1.00 per class A common share ("Common Share"). The Company is also pleased to provide preliminary estimates of its fourth quarter production and annual 2022 capital expenditures and updates to its 2023 guidance, preliminary 2024 guidance and five-year outlook.

CLOSING OF DISPOSITION

Paramount has closed the previously announced disposition of its Kaybob Smoky and Kaybob South Duvernay properties and certain other minor interests in the Kaybob Region (the "Disposition") for cash proceeds of approximately \$370 million after adjustments. The Company has applied a portion of this amount to repay all remaining drawings under its revolving credit facility.

SPECIAL DIVIDEND

Paramount's Board of Directors has declared a special cash dividend of \$1.00 per Common Share that will be payable on January 25, 2023 to shareholders of record on January 18, 2023. This dividend will be designated as an "eligible dividend" for Canadian income tax purposes.

FOURTH QUARTER PRODUCTION AND 2022 ANNUAL CAPITAL EXPENDITURES

Despite production challenges in December due to extremely cold weather, the Company's fourth quarter 2022 sales volumes are expected to have averaged approximately 97,500 Boe/d (45% liquids) based on preliminary field estimates.⁽¹⁾ The Company expects annual capital expenditures for 2022 to be around the high end of previous guidance of between \$600 million and \$640 million, reflecting both minor acceleration activities and the pre-ordering of additional materials that will benefit 2023.

⁽¹⁾ The stated estimate of sales volumes is preliminary and subject to change. See "Advisories – Forward-Looking Information".

UPDATED GUIDANCE

Paramount is updating its 2023 guidance, preliminary 2024 guidance and five-year outlook as set out below to account for the Disposition. In addition, the Company is increasing planned abandonment and reclamation expenditures in 2023 by \$10 million to accelerate activities at the Hawkeye field, further reducing inactive and suspended wells.

2023	Prior	Revised
Annual average sales volumes (Boe/d)	105,000 to 110,000 (46% liquids)	100,000 to 105,000 (45% liquids)
First half average sales volumes (Boe/d)	101,000 to 106,000 (45% liquids)	96,000 to 101,000 (45% liquids)
Second half average sales volumes (Boe/d)	109,000 to 114,000 (46% liquids)	104,000 to 109,000 (46% liquids)
Capital expenditures	\$720 to \$760 million	\$650 to \$700 million
Abandonment and reclamation expenditures	\$45 million	\$55 million
Free cash flow ⁽¹⁾	\$650 million	\$630 million

The Company's 2023 capital program and regular monthly dividend would remain fully funded down to an average WTI price of about US\$56/Bbl in 2023.⁽²⁾

Preliminary 2024 ⁽³⁾	Prior	Revised
Annual average sales volumes (Boe/d)	115,000 to 125,000 (48% liquids)	110,000 to 120,000 (47% liquids)
Capital expenditures	\$750 to \$850 million	\$700 to \$800 million
Free cash flow ⁽⁴⁾	\$650 million	\$620 million

The Company's 2024 capital program and regular monthly dividend would remain fully funded down to an average WTI price of about US\$55/Bbl in 2024.⁽⁵⁾

- (1) Free cash flow is a capital management measure used by Paramount. Refer to "Advisories - Specified Financial Measures" for more information on this measure. The revised free cash flow forecast is based on the following assumptions for 2023: (i) the midpoint of stated capital spending and production, (ii) \$55 million in abandonment and reclamation costs, (iii) \$7 million in geological and geophysical expenses, (iv) realized pricing of \$63.00/Boe (US\$80.00/Bbl WTI, US\$5.00/MMBtu NYMEX, \$4.74/GJ AECO), (v) a \$US/\$CAD exchange rate of \$0.730, (vi) royalties of \$10.30/Boe, (vii) operating costs of \$11.40/Boe and (viii) transportation and processing costs of \$3.65/Boe.
- (2) Assuming no changes to the other stated free cash flow forecast assumptions for 2023.
- (3) All 2024 guidance is based on preliminary planning and current market conditions and is subject to change.
- (4) The revised free cash flow estimate is based on the following assumptions for 2024: (i) the midpoint of stated capital spending and production, (ii) \$40 million in abandonment and reclamation costs, (iii) \$7 million in geological and geophysical expenses, (iv) realized pricing of \$58.45/Boe (US\$75.00/Bbl WTI, US\$4.50/MMBtu NYMEX, \$4.27/GJ AECO), (v) a \$US/\$CAD exchange rate of \$0.735, (vi) royalties of \$9.85/Boe, (vii) operating costs of \$10.45/Boe and (viii) transportation and processing costs of \$3.50/Boe.
- (5) Assuming no changes to the other stated free cash flow estimate assumptions for 2024.

Five-Year Outlook ⁽¹⁾	Prior	Revised
2027 annual average sales volumes (Boe/d)	140,000 to 150,000	135,000 to 145,000
Annual capital expenditures	\$750 to \$850 million	\$700 to \$800 million
Midpoint cumulative free cash flow ⁽²⁾	\$4.2 billion	\$3.9 billion

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, 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".

- (1) The five-year outlook is based on preliminary planning and current market conditions and is subject to change. The five-year outlook is for the period from 2023 through to the end of 2027.
- (2) The revised anticipated cumulative free cash flow is based on the following assumptions: (i) the stated annual capital expenditures and management assumptions as to annual production growth; (ii) approximately \$55 million in abandonment and reclamation costs in 2023 and approximately \$40 million annually thereafter, (iii) approximately \$7 million in annual geological and geophysical expenses, (iv) 2023 realized pricing of \$63.00/Boe (US\$80.00/Bbl WTI, US\$5.00/MMBtu NYMEX, \$4.74/GJ AECO) and thereafter commodity prices of US\$75.00/Bbl WTI, US\$4.50/MMBtu NYMEX and \$4.27/GJ AECO, (v) a 2023 \$US/\$CAD exchange rate of \$0.730 and thereafter a \$US/\$CAD exchange rate of \$0.735 and (vi) internal management estimates of future royalties, operating costs, transportation and processing costs and, beginning in 2026, cash taxes.

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:

- expected fourth quarter 2022 average sales volumes;
- expected 2022 annual capital expenditures;
- forecast average sales volumes for 2023 and certain periods therein;
- planned capital expenditures in 2023;
- planned abandonment and reclamation expenditures in 2023;
- forecast free cash flow in 2023;
- preliminary anticipated capital expenditures in 2024 and the resulting expected 2024 average sales volumes and free cash flow; and
- the Company's five-year outlook for average sales volumes, capital expenditures and cumulative free cash flow.

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 commodity prices;
- the impact of the COVID-19 pandemic;
- the impact of the Russian invasion of the Ukraine;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates, interest rates and the rate and impacts of inflation;
- general business, economic and market conditions;
- the performance of wells and facilities;
- the availability to Paramount of the required capital to fund its exploration, development and other operations and meet its commitments and financial obligations;
- the ability of Paramount to obtain equipment, materials, services and personnel in a timely manner and at expected and acceptable costs 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; 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:

- the risks set out in the Company's Management's Discussion and Analysis for the three and nine months ended September 30, 2022;
- fluctuations in commodity prices;
- changes in capital spending plans and planned exploration and development activities;
- the potential for changes to expected fourth quarter 2022 average sales volumes and 2022 annual capital expenditures upon finalization;
- the potential for changes to preliminary anticipated 2024 capital expenditures prior to finalization and changes to the resulting expected 2024 average sales volumes and free cash flow;
- the potential for changes to the Company's five-year outlook for average sales volumes, capital expenditures and cumulative free cash flow;
- changes in foreign currency exchange rates, interest rates and the rate of inflation;
- the uncertainty of estimates and projections relating to production, future revenue, free cash flow, reserve additions, product yields (including condensate to natural gas ratios), resource recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate product processing, transportation, fractionation, and storage capacity on acceptable terms;
- operational risks in exploring for, developing, producing and transporting natural gas and liquids, including the risk of spills, leaks or blowouts;
- the ability to obtain equipment, materials, services and personnel in a timely manner and at expected and acceptable costs, including the potential effects of inflation and supply chain disruptions;
- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities (including third-party facilities);
- processing, pipeline and fractionation infrastructure outages, disruptions and constraints;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves estimates;
- general business, economic and market conditions;
- the ability to generate sufficient cash from operating activities to fund, or to otherwise finance, 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;

- uncertainties as to the timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- uncertainties regarding Indigenous claims and in maintaining relationships with local populations and other stakeholders;
- the outcome of existing and potential lawsuits, 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.

In addition, there are no assurances as to the declaration and payment of any future dividends by the Company or the amount or timing of any such dividends.

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled *Risk Factors* in Paramount's annual information form for the year ended December 31, 2021, which is available on SEDAR at www.sedar.com. The forward-looking information contained in this 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.

Certain forward-looking information in this press release, including forecast free cash flow in 2023 and future periods, may also constitute a "financial outlook" within the meaning of applicable securities laws. A financial outlook involves statements about Paramount's prospective financial performance or position and is based on and subject to the assumptions and risk factors described above in respect of forward-looking information generally as well as any other specific assumptions and risk factors in relation to such financial outlook noted in this press release. Such assumptions are based on management's assessment of the relevant information currently available and any financial outlook included in this press release is provided for the purpose of helping readers understand Paramount's current expectations and plans for the future. Readers are cautioned that reliance on any financial outlook may not be appropriate for other purposes or in other circumstances and that the risk factors described above or other factors may cause actual results to differ materially from any financial outlook.

Oil and Gas Measures and Definitions

This press release contains disclosures expressed as "Boe/d", which means barrels of oil equivalent ("Boe") per day. 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, 2022, 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.

Product Type Information

This press release includes references to forecast sales volumes of "liquids". "Liquids" refers to light and medium crude oil, tight oil, condensate and ethane, propane and butane ("other NGLs") combined. Below is further information respecting the composition of sales volumes or forecast sales volumes for applicable periods.

Fourth quarter 2022 sales volumes are expected to have averaged approximately 97,500 Boe/d (55% shale gas and conventional natural gas combined, 39% light and medium crude oil, tight oil and condensate combined and 6% other NGLs) based on preliminary field estimates.

The Company forecasts that 2023 annual sales volumes will average between 100,000 Boe/d and 105,000 Boe/d (55% shale gas and conventional natural gas combined, 39% light and medium crude oil, tight oil and condensate combined and 6% other NGLs). First half 2023 sales volumes are expected to average between 96,000 Boe/d and 101,000 Boe/d (55% shale gas and conventional natural gas combined, 39% light and medium crude oil, tight oil and condensate combined and 6% other NGLs). Second half 2023 sales volumes are expected to average between 104,000 Boe/d and 109,000 Boe/d (54% shale gas and conventional natural gas combined, 40% light and medium crude oil, tight oil and condensate combined and 6% other NGLs).

The Company's preliminary 2024 guidance forecasts annual sales volumes that will average between 110,000 Boe/d and 120,000 Boe/d (53% shale gas and conventional natural gas combined, 41% light and medium crude oil, tight oil and condensate combined and 6% other NGLs).

Specified Financial Measures

Free cash flow is a capital management measure that Paramount utilizes in managing its capital structure. This measure is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities. Refer to Note 15 – Capital Structure in the unaudited Interim Condensed Consolidated Financial Statements of Paramount as at and for the three and nine months ended September 30, 2022 for a description of the composition and use of this measure.

SOURCE Paramount Resources Ltd.

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