

Paramount Resources Ltd. Announces Record 2022 Annual Results

CALGARY, AB, March 7, 2023 /CNW/ - Paramount Resources Ltd. ("Paramount" or the "Company") (TSX: POU) is pleased to report 2022 annual financial and operating results highlighted by record production, adjusted funds flow and free cash flow and substantial reserves additions.

HIGHLIGHTS

- The Company achieved record annual sales volumes of 88,672 Boe/d (45% liquids) in 2022. Fourth quarter sales volumes averaged 97,370 Boe/d (45% liquids), of which 64,434 Boe/d (51% liquids) was produced in the Grande Prairie Region. ⁽¹⁾
- Cash from operating activities was a record \$1,050 million (\$7.45 per basic share) in 2022 and \$307 million (\$2.17 per basic share) in the fourth quarter. ⁽²⁾
- Adjusted funds flow in 2022 was \$1,171 million (\$8.32 per basic share) and \$341 million (\$2.40 per basic share) in the fourth quarter, representing annual and quarterly records for the Company. ⁽²⁾
- Capital expenditures in 2022, which included the pre-ordering of approximately \$25 million in materials for future development, totaled \$655 million versus the \$640 million upper range of prior guidance.
- The Company generated record annual free cash flow in 2022 of \$471 million (\$3.35 per basic share) compared to prior guidance of \$500 million. Fourth quarter free cash flow was \$162 million (\$1.14 per basic share), also a quarterly record. ⁽²⁾
- Total proved ("TP") reserves increased 31% to 445 MMBoe with an NPV₁₀ of approximately \$5.8 billion (\$41.18 per basic share). Proved plus probable ("P+P") reserves increased 15% to 759 MMBoe with an NPV₁₀ of approximately \$9.1 billion (\$64.52 per basic share). ⁽³⁾
- Three-year average finding and development ("F&D") costs were \$7.72/Boe for TP reserves and \$4.24/Boe for P+P reserves. ⁽⁴⁾

- (1) In this press release, "liquids" refers to NGLs (including condensate) and oil combined, "natural gas" refers to conventional natural gas and shale gas combined, "condensate and oil" refers to condensate, light and medium crude oil and tight oil combined and "other NGLs" refers to ethane, propane and butane. See the "Product Type Information" section for a complete breakdown of sales volumes for applicable periods by the specific product types of shale gas, conventional natural gas, NGLs, light and medium crude oil and tight oil. See also "Oil and Gas Measures and Definitions" in the Advisories section.
- (2) Adjusted funds flow and free cash flow are capital management measures used by Paramount. Cash from operating activities per basic share, adjusted funds flow per basic share and free cash flow per basic share are supplementary financial measures. Refer to the "Specified Financial Measures" section for more information on these measures.
- (3) All reserves are gross reserves based upon an evaluation prepared by McDaniel & Associates Consultants Ltd. ("McDaniel") dated March 6, 2023 and effective December 31, 2022 (the "McDaniel Report"). "NPV₁₀" refers to the net present value of future net revenue of the applicable reserves, discounted at 10 percent, as estimated in the McDaniel Report. Such value does not represent fair market value. Readers are referred to the advisories concerning "Reserves Data".
- (4) F&D costs are a non-GAAP ratio. Refer to the "Specified Financial Measures" section and "Oil and Gas Measures and Definitions" in the Advisories section for more information on this measure and on the related non-GAAP financial measure of F&D capital. The three-year average F&D costs were calculated by dividing total F&D capital over the period by the aggregate reserves additions in the period.

- Paramount continued to successfully execute its strategy of accretive acquisitions and divestitures in 2022 and early 2023. The Company more than tripled its Willesden Green Duvernay land position in two acquisitions at a total cost of \$98 million and realized compelling value for its Kaybob Smoky and Kaybob South Duvernay properties and a portion of its road infrastructure in dispositions that generated aggregate proceeds of \$434 million.
- Paramount continues to deliver on its free cash flow priorities:
 - The Company achieved its net debt target of \$300 million in October 2022 and then further reduced net debt to \$161 million at year end, representing a \$296 million year-over-year reduction. ⁽¹⁾
 - Paramount more than doubled its regular monthly dividend in 2022 to \$0.125 per class A common share ("Common Share").
 - In January 2023, the Company paid a special cash dividend of \$1.00 per Common Share and repaid all remaining drawings under its \$1.0 billion revolving credit facility. At January 31, 2023, Paramount had a cash balance of approximately \$110 million.
- The carrying value of the Company's investments in securities at December 31, 2022 was \$557 million.

2022 RESERVES

- Proved developed producing ("PDP") reserves increased 28% year-over-year to 160 MMBoe. TP reserves were up 31% to 445 MMBoe. P+P reserves increased 15% to 759 MMBoe.
 - In the Grande Prairie Region, where the majority of 2022 development activity occurred, PDP reserves were up 33% year-over-year, TP reserves were up 35% and P+P reserves were up 10%.
- With the significant reserves additions in 2022, the Company's reserves replacement ratios were 1.9x for PDP reserves, 4.0x for TP reserves and 3.7x for P+P reserves. ⁽²⁾
- Compared to 2021, the NPV₁₀ of the Company's:
 - PDP reserves increased 75% to \$2.5 billion (\$17.82 per basic share);
 - TP reserves increased 62% to \$5.8 billion (\$41.18 per basic share); and
 - P+P reserves increased 46% to \$9.1 billion (\$64.52 per basic share).
- 2022 F&D costs were: ⁽³⁾
 - \$9.58/Boe for PDP reserves (4.5x recycle ratio);

- \$14.11/Boe for TP reserves (3.0x recycle ratio); and
- \$14.87/Boe for P+P reserves (2.9x recycle ratio).
- Three-year average F&D costs were:⁽⁴⁾
 - \$8.13/Boe for PDP reserves (3.4x recycle ratio);
 - \$7.72/Boe for TP reserves (3.5x recycle ratio); and
 - \$4.24/Boe for P+P reserves (6.5x recycle ratio).

- (1) Net debt is a capital management measure used by Paramount. Refer to the "Specified Financial Measures" section for more information on this measure.
- (2) See "Oil and Gas Measures and Definitions" in the Advisories section of this document for a description of the calculation and use of reserves replacement ratio.
- (3) F&D costs and recycle ratio are non-GAAP ratios. Refer to the "Specified Financial Measures" section and "Oil and Gas Measures and Definitions" in the Advisories section for more information on these measures and on the related non-GAAP financial measure of F&D capital.
- (4) The three-year average F&D costs were calculated by dividing total F&D capital over the period by the aggregate reserves additions in the period. The associated recycle ratios were calculated by dividing the weighted average netback, a non-GAAP measure, per Boe over the period by the three-year average F&D costs.

REVISED GUIDANCE

Paramount is reaffirming its 2023 and preliminary 2024 sales volumes guidance, as well as its five-year outlook for sales volumes. Paramount is increasing its 2023 guidance for capital expenditures by \$50 million as a result of anticipated inflationary cost pressures. The Company is reaffirming its preliminary 2024 guidance and five-year outlook for capital expenditures. Capital expenditures in 2023 and 2024 are expected to be evenly split between: (i) sustaining and maintenance capital; and (ii) growth. Paramount is revising its free cash flow expectations to reflect lower natural gas prices, updated capital expenditures in 2023 and revised foreign exchange rates and other assumptions.

2023 Guidance

Annual average sales volumes (Boe/d)	100,000 to 105,000 (46% liquids)
First half average sales volumes (Boe/d)	96,000 to 101,000 (45% liquids)
Second half average sales volumes (Boe/d)	104,000 to 109,000 (47% liquids)
Capital expenditures	\$700 to \$750 million (~50% to growth) (\$650 to \$700 million prior guidance)
Abandonment and reclamation expenditures	\$55 million
Free cash flow ⁽¹⁾	\$375 million (\$630 million prior guidance)

The Company's midpoint 2023 sustaining and maintenance capital program and regular monthly dividend would remain fully funded down to an average WTI price of about US\$55/Bbl in 2023. The Company's total midpoint 2023 capital program and regular monthly dividend would remain fully funded down to an average WTI price of about US\$71/Bbl in 2023.⁽²⁾ Paramount remains committed to prudently managing its capital resources and has the flexibility to adjust its capital expenditure plans depending on commodity prices, inflationary cost pressures and other factors.

Preliminary 2024 Guidance⁽³⁾

Annual average sales volumes (Boe/d)	110,000 to 120,000 (48% liquids)
Capital expenditures	\$700 to \$800 million (~50% to growth)
Free cash flow ⁽⁴⁾	\$465 million (\$620 million prior guidance)

Five-Year Outlook⁽⁵⁾

2027 annual average sales volumes (Boe/d)	135,000 to 145,000
Annual capital expenditures	\$700 to \$800 million
Midpoint cumulative free cash flow ⁽⁶⁾	\$3.1 billion (\$3.9 billion previously)

- (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 stated free cash flow forecast is based on the following assumptions for 2023: (i) the midpoint of stated capital expenditures and sales volumes, (ii) \$55 million in abandonment and reclamation costs, (iii) \$7 million in geological and geophysical expenses, (iv) realized pricing of \$55.20/Boe (US\$80.00/Bbl WTI, US\$3.50/MMBtu NYMEX, \$3.08/GJ AECO), (v) a \$US/\$CAD exchange rate of \$0.755, (vi) royalties of \$8.30/Boe, (vii) operating costs of \$11.40/Boe and (viii) transportation and processing costs of \$3.55/Boe.
- (2) Assuming no changes to the other forecast assumptions for 2023.
- (3) All 2024 guidance is based on preliminary planning and current market conditions and is subject to change.

- (4) The stated free cash flow estimate is based on the following assumptions for 2024: (i) the midpoint of stated capital expenditures and sales volumes, (ii) \$40 million in abandonment and reclamation costs, (iii) \$7 million in geological and geophysical expenses, (iv) realized pricing of \$53.50/Boe (US\$75.00/Bbl WTI, US\$3.50/MMBtu NYMEX, \$3.08/GJ AECO), (v) a US\$/CAD exchange rate of \$0.755, (vi) royalties of \$8.30/Boe, (vii) operating costs of \$10.55/Boe and (viii) transportation and processing costs of \$3.60/Boe.
- (5) 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.
- (6) The stated cumulative free cash flow estimate is based on the following assumptions: (i) the stated annual capital expenditures and management assumptions as to annual sales volume growth; (ii) \$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 \$55.20/Boe (US\$80.00/Bbl WTI, US\$3.50/MMBtu NYMEX, \$3.08/GJ AECO) and thereafter commodity prices of US\$75.00/Bbl WTI, US\$3.50/MMBtu NYMEX and \$3.08/GJ AECO, (v) a US\$/CAD exchange rate of \$0.755 and (vi) internal management estimates of future royalties, operating costs, transportation and processing costs and, beginning in 2027, cash taxes.

MARCH DIVIDEND

Paramount's Board of Directors has declared a cash dividend of \$0.125 per Common Share that will be payable on March 31, 2023 to shareholders of record on March 15, 2023. The dividend will be designated as an "eligible dividend" for Canadian income tax purposes.

HEDGING

The Company's current commodity and foreign currency exchange contracts are summarized below:

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2024	Average Price ⁽¹⁾
Oil						
Condensate – Basis (Physical Sale) (Bbl/d)	5,244	–	–	–	–	WTI + US\$0.50/Bbl
Sweet Crude Oil – Basis (Physical Sale) (Bbl/d)	3,146	3,112	3,078	3,078	–	WTI – US\$3.73/Bbl
Natural Gas						
NYMEX Collars (MMBtu/d)	20,000	–	–	–	–	US\$7.50/MMBtu (Floor) US\$12.13/MMBtu (Ceiling)
AECO Collars (GJ/d)	20,000	–	–	–	–	CAD\$7.25/GJ (Floor) CAD\$9.60/GJ (Ceiling)
Chicago Index Swap (Sale) (MMBtu/d) ⁽²⁾	5,000	–	–	–	–	Daily – US\$0.09/MMBtu
AECO – Basis (Physical Sale) (MMBtu/d)	–	20,000	20,000	6,739	–	NYMEX – US\$0.94/MMBtu
Dawn – Basis (Physical Sale) (MMBtu/d)	–	10,000	10,000	3,370	–	NYMEX – US\$0.19/MMBtu
Foreign Currency Exchange						
Forward Sales / Swaps (US\$MM/Month)	\$60	–	–	–	–	1.3105 CAD\$ / US\$
Swaps (US\$MM/Month)	–	\$60	–	–	–	1.3293 CAD\$ / US\$
Swaps (US\$MM/Month)	–	–	\$40	\$40	–	1.3427 CAD\$ / US\$
Swaps (US\$MM/Month)	–	–	–	–	\$20	1.3425 CAD\$ / US\$

(1) Average price is calculated on a volume weighted average basis.

(2) "Chicago Index" refers to Chicago Index pricing. These contracts convert price exposure of Chicago monthly index to daily index.

COMPLETE ANNUAL RESULTS

Paramount's: (i) complete annual results, including a review of operations, the Company's audited consolidated financial statements as at and for the year ended December 31, 2022 (the "Consolidated Financial Statements") and the accompanying management's discussion and analysis (the "MD&A"); and (ii) 2022 annual information form, which contains additional important information concerning the Company's reserves, properties and operations, can be obtained on SEDAR at www.sedar.com or on Paramount's website at www.paramountres.com/investors/financial-shareholder-reports. A summary of historical financial and operating results is also available on Paramount's website at www.paramountres.com/investors/financial-shareholder-reports.

ANNUAL GENERAL MEETING

Paramount will hold its annual general meeting of shareholders on Wednesday, May 3, 2023 at 10:30 a.m. (Calgary time) in the McMurray Room of the Calgary Petroleum Club, located at 319 – 5th Avenue S.W., Calgary Alberta.

FINANCIAL AND OPERATING RESULTS ⁽¹⁾

(\$ millions, except as noted)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Net income	259.9	101.0	680.6	236.9
<i>per share – basic (\$/share)</i>	1.83	0.75	4.83	1.77
<i>per share – diluted (\$/share)</i>	1.76	0.70	4.63	1.67
Cash from operating activities	306.9	191.8	1,049.6	482.1
<i>per share – basic (\$/share)</i>	2.17	1.42	7.45	3.61
<i>per share – diluted (\$/share)</i>	2.08	1.33	7.14	3.39

Adjusted funds flow	340.7	174.6	1,171.0	499.8
<i>per share – basic (\$/share)</i>	2.40	1.29	8.32	3.74
<i>per share – diluted (\$/share)</i>	2.31	1.21	7.97	3.51
Free cash flow	162.0	99.0	471.1	191.8
<i>per share – basic (\$/share)</i>	1.14	0.73	3.35	1.44
<i>per share – diluted (\$/share)</i>	1.10	0.69	3.20	1.36
Total assets			4,337.3	3,885.1
Investments in securities			557.1	372.1
Long-term debt			159.4	386.3
Net debt			161.2	456.7
Common shares outstanding (millions) ⁽²⁾			142.0	139.2

Sales volumes ⁽³⁾				
Natural gas (MMcf/d)	321.9	284.8	294.7	275.2
Condensate and oil (Bbl/d)	37,580	32,342	33,908	30,989
Other NGLs (Bbl/d)	6,143	5,462	5,650	5,147
Total (Boe/d)	97,370	85,265	88,672	82,001
% liquids	45 %	44 %	45 %	44 %
Grande Prairie Region (Boe/d)	64,434	56,035	58,519	51,869
Kaybob Region (Boe/d)	24,477	21,725	22,730	22,588
Central Alberta & Other Region (Boe/d)	8,459	7,505	7,423	7,544
Total (Boe/d)	97,370	85,265	88,672	82,001

Netback		\$/Boe ⁽⁴⁾		\$/Boe ⁽⁴⁾		\$/Boe ⁽⁴⁾		\$/Boe ⁽⁴⁾
Natural gas revenue	194.2	6.56	124.7	4.76	671.1	6.24	373.3	3.72
Condensate and oil revenue	375.1	108.50	281.1	94.46	1,448.9	117.07	926.5	81.91
Other NGLs revenue	27.3	48.25	27.4	54.61	114.2	55.37	78.6	41.84
Royalty and other revenue	1.1	—	1.3	—	18.2	—	5.2	—
Petroleum and natural gas sales	597.7	66.72	434.5	55.40	2,252.4	69.60	1,383.6	46.23
Royalties	(84.4)	(9.43)	(52.5)	(6.69)	(335.3)	(10.36)	(127.0)	(4.24)
Operating expense	(119.2)	(13.31)	(91.0)	(11.61)	(407.1)	(12.58)	(340.4)	(11.37)
Transportation and NGLs processing	(27.2)	(3.03)	(26.1)	(3.33)	(123.7)	(3.82)	(114.5)	(3.83)
Sales of commodities purchased ⁽⁵⁾	102.7	11.47	22.1	2.82	272.0	8.41	75.5	2.52
Commodities purchased ⁽⁵⁾	(100.4)	(11.21)	(22.3)	(2.85)	(267.0)	(8.25)	(76.1)	(2.54)
Netback	369.2	41.21	264.7	33.74	1,391.3	43.00	801.1	26.77
Risk management contract settlements	(23.0)	(2.57)	(72.4)	(9.23)	(179.0)	(5.53)	(218.3)	(7.29)
Netback including risk management contract settlements	364.2	38.64	192.3	24.51	1,212.3	37.47	582.8	19.48

Capital expenditures				
Grande Prairie Region	135.8	57.7	453.3	228.6
Kaybob Region	11.4	3.8	131.2	14.5
Central Alberta & Other Region	1.0	2.6	2.1	25.2
Fox Drilling and Cavalier Energy	12.1	1.0	27.7	5.0
Corporate	9.3	0.6	40.7	1.3
Total	169.6	65.7	655.0	274.6

Asset retirement obligations settled	7.0	7.0	36.1	25.4
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- (1) Adjusted funds flow, free cash flow and net debt are capital management measures used by Paramount. Netback and netback including risk management contract settlements are non-GAAP financial measures. Netback and Netback including risk management contract settlements presented on a \$/Boe or \$/Mcf basis are non-GAAP ratios. Each measure, other than net income, that is presented on a per share, \$/Mcf or \$/Boe basis is a supplementary financial measure. Refer to the "Specified Financial Measures" section for more information on these measures. Prior period free cash flow has been reclassified to conform with the current year's presentation.
- (2) Common shares are presented net of shares held in trust under the Company's restricted share unit plan: 2022: 0.8 million, 2021: 1.5 million
- (3) Refer to the Product Type Information section of this document for a complete breakdown of sales volumes for applicable periods by specific product type.
- (4) Natural gas revenue presented as \$/Mcf.
- (5) Sales of commodities purchased and commodities purchased are treated as corporate items and not allocated to individual regions or properties.

ABOUT PARAMOUNT

Paramount is an independent, publicly traded, liquids-rich natural gas 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 Common Shares are listed on the Toronto Stock Exchange under the symbol "POU".

PRODUCT TYPE INFORMATION

This press release includes references to sales volumes of "natural gas", "condensate and oil", "NGLs", "Other NGLs" and "liquids". "Natural gas" refers to conventional natural gas and shale gas combined. "Condensate and oil" refers to condensate, light and medium crude oil and tight oil combined. "NGLs" refers to condensate and Other NGLs combined. "Other NGLs" refers to ethane, propane and butane. "Liquids" refers to condensate and oil and Other NGLs combined. Below is a complete breakdown of sales volumes for applicable periods by the specific product types of shale gas, conventional natural gas, NGLs, tight oil and light and medium crude oil. Numbers may not add due to rounding.

	Annual							
	Total		Grande Prairie Region		Kaybob Region		Central Alberta and Other Region	
	2022	2021	2022	2021	2022	2021	2022	2021
Shale gas (MMcf/d)	232.9	207.9	166.9	138.8	38.5	38.6	27.5	30.5
Conventional natural gas (MMcf/d)	61.8	67.3	1.3	2.2	55.0	58.6	5.5	6.5
Natural gas (MMcf/d)	294.7	275.2	168.2	141.0	93.5	97.2	33.0	37.0
Condensate (Bbl/d)	31,228	28,328	27,095	25,253	3,192	2,295	941	781
Other NGLs (Bbl/d)	5,650	5,147	3,394	3,103	1,620	1,612	636	432
NGLs (Bbl/d)	36,878	33,475	30,489	28,356	4,812	3,907	1,577	1,213
Tight oil (Bbl/d)	480	487	—	—	261	355	219	131
Light and medium crude oil (Bbl/d)	2,200	2,174	4	5	2,066	2,129	130	40
Crude oil (Bbl/d)	2,680	2,661	4	5	2,327	2,484	349	171
Total (Boe/d)	88,672	82,001	58,519	51,869	22,730	22,588	7,423	7,544

	Q4							
	Total		Grande Prairie Region		Kaybob Region		Central Alberta and Other Region	
	2022	2021	2022	2021	2022	2021	2022	2021
Shale gas (MMcf/d)	260.0	220.4	188.4	156.5	41.9	35.6	29.7	28.2
Conventional natural gas (MMcf/d)	61.9	64.4	1.5	2.4	55.0	56.8	5.4	5.3
Natural gas (MMcf/d)	321.9	284.8	189.9	158.9	96.9	92.4	35.1	33.5
Condensate (Bbl/d)	34,616	29,797	29,146	26,272	4,354	2,184	1,116	1,341
Other NGLs (Bbl/d)	6,143	5,462	3,631	3,276	1,671	1,788	841	398
NGLs (Bbl/d)	40,759	35,259	32,777	29,548	6,025	3,972	1,957	1,739
Tight oil (Bbl/d)	629	497	—	—	262	355	367	142
Light and medium crude oil (Bbl/d)	2,335	2,048	—	6	2,045	2,000	290	42
Crude oil (Bbl/d)	2,964	2,545	—	6	2,307	2,355	657	184
Total (Boe/d)	97,370	85,265	64,434	56,035	24,477	21,725	8,459	7,505

The Company forecasts that 2023 annual sales volumes will average between 100,000 Boe/d and 105,000 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). 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, 38% light and medium crude oil, tight oil and condensate combined and 7% other NGLs). Second half 2023 sales volumes are expected to average between 104,000 Boe/d and 109,000 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). The Company's preliminary 2024 guidance provides for annual sales volumes that will average between 110,000 Boe/d and 120,000 Boe/d (52% shale gas and conventional natural gas combined, 41% light and medium crude oil, tight oil and condensate combined and 7% other NGLs).

SPECIFIED FINANCIAL MEASURES

Non-GAAP Financial Measures

Netback, netback including risk management contract settlements and F&D capital are non-GAAP financial measures. These measures are not standardized measures under IFRS and might not be comparable to similar financial measures presented by other issuers. These measures should not be considered in isolation or construed as alternatives to their most directly comparable measure disclosed in the Company's primary financial statements or other measures of financial performance calculated in accordance with IFRS.

Netback equals petroleum and natural gas sales (the most directly comparable measure disclosed in the Company's primary financial statements) plus sales of commodities purchased less royalties, operating expense, transportation and NGLs processing expense and commodities purchased. Sales of commodities purchased and commodities purchased are treated as corporate items and not allocated to individual regions or properties. Netback is used by investors and management to compare the performance of the Company's producing assets between periods.

Netback including risk management contract settlements equals netback after including (or deducting) risk management contract settlements received (paid). Netback including risk management contract settlements is used by investors and management to assess the performance of the producing assets after incorporating management's risk management strategies.

Refer to the table under the heading "Financial and Operating Results" in this press release for the calculation of netback and netback including risk management contract settlements for the years ended December 31, 2022 and 2021 and for the three months ended December 31, 2022 and 2021.

F&D capital is a measure used in determining F&D costs and is comprised of capital expenditures (the most directly comparable measure disclosed in the Company's primary financial statements) for the year, excluding expenditures related to Fox Drilling and Cavalier Energy and corporate capital expenditures, plus the change from the prior year in estimated future development capital included in the applicable reserves evaluation prepared by McDaniel. F&D capital is used by management and investors, in calculating F&D costs, to represent the amount of capital invested in oil and gas exploration and development projects to generate reserves additions. Set out below is the calculation of F&D capital for the years ended December 31, 2022, 2021 and 2020. Columns may not add due to rounding.

(\$ millions)	Total Company				
Proved Developed Producing	2022	2021	2020	3-year	Total
Capital expenditures	655	275	221		1,151
Fox Drilling, Cavalier Energy and corporate	(69)	(6)	(2)		(77)
Change in estimated future development capital	(10)	(11)	54		34
F&D Capital – PDP	577	257	273		1,107
Total Proved	2022	2021	2020	3-year	Total
Capital expenditures	655	275	221		1,151
Fox Drilling, Cavalier Energy and corporate	(69)	(6)	(2)		(77)
Change in estimated future development capital	1,249	221	(962)		509
F&D Capital – TP	1,835	490	(743)		1,582
Proved Plus Probable	2022	2021	2020	3-year	Total
Capital expenditures	655	275	221		1,151
Fox Drilling, Cavalier Energy and corporate	(69)	(6)	(2)		(77)
Change in estimated future development capital	1,176	(93)	(1,196)		(112)
F&D Capital – P+P	1,762	176	(977)		961

Non-GAAP Ratios

F&D costs, recycle ratio and netback and netback including risk management contract settlements presented on a \$/Boe or \$/Mcf basis are non-GAAP ratios as they each have a non-GAAP financial measure as a component. These measures are not standardized measures under IFRS and might not be comparable to similar financial measures presented by other issuers. These measures should not be considered in isolation or construed as alternatives to their most directly comparable measure disclosed in the Company's primary financial statements or other measures of financial performance calculated in accordance with IFRS.

F&D costs are calculated by dividing: (i) F&D capital (a non-GAAP financial measure) for the applicable reserves category and period; by (ii) the net changes to reserves in such reserves category from the prior period from extensions/improved recovery, technical revisions and economic factors, expressed in Boe. F&D costs are a measure commonly used by management and investors to assess the relationship between capital invested in oil and gas exploration and development projects and reserve additions. Readers should refer to the information under the heading "Reserves and Other Oil and Gas Information – Reserves Reconciliation" in the Company's annual information forms for the years ended December 31, 2022, 2021 and 2020, which are available on www.sedar.com or at www.paramountres.com, for a description of the net changes to reserves in each reserves category from the prior year. See "Advisories – Oil and Gas Definitions and Measures" below for more information about this measure.

Recycle ratio is calculated by dividing the netback (a non-GAAP financial measure) per Boe for the period by the F&D costs for the period. Recycle ratio is used by investors and management to compare the cost of adding reserves to the netback realized from production. See "Advisories – Oil and Gas Definitions and Measures" for more information about this measure.

Set out below are the applicable F&D costs and recycle ratios for 2022, 2021 and 2020.

	F&D (\$/Boe)			Recycle Ratio *		
	2022	2021	2020	2022	2021	2020
Proved Developed Producing	\$9.58	\$6.22	\$7.90	4.5x	4.3x	1.0x
Total Proved	\$14.11	\$6.72	na	3.0x	4.0x	na
Proved plus Probable	\$14.87	\$2.12	na	2.9x	12.6x	na

Netback on a \$/Boe or \$/Mcf basis is calculated by dividing netback (a non-GAAP financial measure) for the applicable period by the total production during the period in Boe or Mcf. Netback including risk management contract settlements on a \$/Boe or \$/Mcf basis is calculated by dividing netback including risk management contract settlements for the applicable period by the total production during the period in Boe or Mcf. These measures are used by investors and management to assess netback and netback including risk management contract settlements on a unit of production basis.

Capital Management Measures

Adjusted funds flow, free cash flow and net debt are capital management measures that Paramount utilizes in managing its capital structure. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. Refer to Note 18 – Capital Structure in the Consolidated Financial Statements for: (i) a description of the composition and use of these measures, (ii) reconciliations of adjusted funds flow and free cash flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the years ended December 31, 2022 and 2021 and (iii) a calculation of net debt as at December 31, 2022 and 2021.

The following is a reconciliation of adjusted funds flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three months ended December 31, 2022 and 2021:

Three months ended December 31 (\$millions)	2022	2021
Cash from operating activities	306.9	191.8
Change in non-cash working capital	48.7	(20.1)
Geological and geophysical expense	2.1	2.9
Asset retirement obligations settled	7.0	7.0
Closure costs	–	–
Provisions	(24.0)	–
Settlements	–	(7.0)
Transaction and reorganization costs	–	–
Adjusted funds flow	340.7	174.6

The following is a reconciliation of free cash flow to cash from operating activities, the most directly comparable measure disclosed in the Company's primary financial statements, for the three months ended December 31, 2022 and 2021:

Three months ended December 31 (\$ millions)	2022	2021
Cash from operating activities	306.9	191.8
Change in non-cash working capital	48.7	(20.1)
Geological and geophysical expense	2.1	2.9
Asset retirement obligations settled	7.0	7.0
Closure costs	–	–
Provisions	(24.0)	–
Settlements	–	(7.0)
Transaction and reorganization costs	–	–
Adjusted funds flow	340.7	174.6
Capital expenditures	(169.6)	(65.7)
Geological and geophysical expense	(2.1)	(2.9)
Asset retirement obligation settled	(7.0)	(7.0)
Free cash flow	162.0	99.0

Supplementary Financial Measures

This press release contains supplementary financial measures expressed as: (i) cash from operating activities, adjusted funds flow and free cash flow on a per share – basic and per share – diluted basis and (ii) revenue, petroleum and natural gas sales, royalties, operating expenses, transportation and NGLs processing expenses, sales of commodities purchased and commodities purchased on a \$/Bbl, \$/Mcf or \$/Boe basis.

Cash from operating activities, adjusted funds flow and free cash flow on a per share – basic basis are calculated by dividing cash from operating activities, adjusted funds flow or free cash flow, as applicable, over the referenced period by the weighted average basic shares outstanding during the period determined under IFRS. Cash from operating activities, adjusted funds flow and free cash flow on a per share – diluted basis are calculated by dividing cash from operating activities, adjusted funds flow or free cash flow, as applicable, over the referenced period by the weighted average diluted shares outstanding during the period determined under IFRS.

Revenue, petroleum and natural gas sales, royalties, operating expenses, transportation and NGLs processing expenses, sales of commodities purchased and commodities purchased on a \$/Bbl, \$/Mcf or \$/Boe basis are calculated by dividing the revenue, petroleum and natural gas sales, royalties, operating expenses, transportation and NGLs processing expenses, sales of commodities purchased and commodities purchased, as applicable, over the referenced period by the aggregate applicable units of production (Bbl, Mcf or Boe) during such period.

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:

- forecast 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 2024 sales volumes, capital expenditure and free cash flow guidance;
- the Company's five-year outlook for 2027 average annual sales volumes, capital expenditures and cumulative free cash flow;
- the expectation that capital expenditures in 2023 and 2024 will be evenly split between sustaining and maintenance capital and growth; and
- the payment of future dividends under the Company's monthly dividend program.

Statements relating to reserves are also deemed to be forward looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

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 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 processing, transportation, fractionation and storage capacity on acceptable terms and the capacity and reliability of facilities;
- the ability of Paramount to market its production successfully;
- the ability of Paramount and its industry partners to obtain drilling success (including in respect of anticipated production volumes, reserves additions, product yields and resource recoveries) and operational improvements, efficiencies and results consistent with expectations;
- the timely receipt of required governmental and regulatory approvals;
- the application of regulatory requirements respecting abandonment and reclamation; and
- anticipated timelines and budgets being met in respect of drilling programs and other operations (including well completions and tie-ins, the construction, commissioning and start-up of new and expanded facilities, including third-party facilities, and facility turnarounds and maintenance).

Although Paramount believes that the expectations reflected in such forward-looking information are reasonable based on the information available at the time of this press release, undue reliance should not be placed on the forward-looking information as Paramount can give no assurance that such expectations will prove to be correct. Forward-looking information is based on expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Paramount and described in the forward-looking information. The material risks and uncertainties include, but are not limited to:

- fluctuations in commodity prices;
- changes in capital spending plans and planned exploration and development activities;
- the potential for changes to preliminary 2024 sales volumes, capital expenditure and free cash flow guidance prior to finalization;
- the potential for changes to the Company's five-year outlook for 2027 average annual 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 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 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.

There are risks that may result in the Company changing, suspending or discontinuing its monthly dividend program, including changes to free cash flow, operating results, capital requirements, financial position, market conditions or corporate strategy and the need to comply with requirements under debt agreements and applicable laws respecting the declaration and payment of dividends. There are no assurances as to the continuing declaration and payment of 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, 2022, which is available on SEDAR at www.sedar.com or on the Company's website at www.paramountres.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.

Reserves Data

Reserves data set forth in this press release is based upon an evaluation of the Company's reserves prepared by McDaniel & Associates Consultants Ltd. ("McDaniel") dated March 6, 2023 and effective December 31, 2022 (the "McDaniel Report"). The reserves referenced in this press release are gross reserves. The price forecast used in the McDaniel Report is an average of the January 1, 2023 price forecasts for McDaniel and GLJ Petroleum Consultants Ltd. and the December 31, 2022 price forecast of Sproule Associates Ltd. The estimates of reserves contained in the McDaniel Report and referenced in this press release are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates contained in the McDaniel Report and referenced in this press release. There is no assurance that the forecast prices and costs assumptions used in the McDaniel Report will be attained, and variances could be material. Estimated future net revenue does not represent fair market value. The estimates of reserves for individual properties may not reflect the same confidence level as estimates of reserves for all properties, due to the effects of aggregation. The reserves referenced in this press release include reserves associated with the Kaybob Smoky and Kaybob South Duvernay properties that were subsequently disposed of in January 2023. Readers should refer to the Company's annual information form for the year ended December 31, 2022, which is available on SEDAR at www.sedar.com or on Paramount's website at www.paramountres.com, for a complete description of the McDaniel Report (including reserves by the specific product types of shale gas, conventional natural gas, NGLs, tight oil and light and medium crude oil) and the material assumptions, limitations and risk factors pertaining thereto. The annual information form also contains a description of the reserves associated with the Kaybob Smoky and Kaybob South Duvernay properties in the section titled *"Reserves and Other Oil and Gas Information - Impact of Kaybob Disposition"*.

Oil and Gas Measures and Definitions

Liquids		Natural Gas	
Bbl	Barrels	GJ	Gigajoules
Bbl/d	Barrels per day	GJ/d	Gigajoules per day
MBbl	Thousands of barrels	MMBtu	Millions of British Thermal Units
NGLs	Natural gas liquids	MMBtu/d	Millions of British Thermal Units per day
Condensate	Pentane and heavier hydrocarbons	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
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		

This press release contains disclosures expressed as "Boe", "\$/Boe", "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 year ended December 31, 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.

This press release contains metrics commonly used in the oil and natural gas industry. Each of these metrics is determined by the Company as set out below or elsewhere in this press release. The metrics are F&D costs, recycle ratio and reserves replacement ratio. These metrics do not have standardized meanings and may not be comparable to similar measures presented by other companies. As such, they should not be used to make comparisons. Management uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare the Company's performance over time; however, such measures are not reliable indicators 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.

Refer to the "Specified Financial Measures" section of this press release for a description of the calculation and use of F&D costs and recycle

ratio. Reserves replacement ratio is calculated by dividing: (i) the net changes in reserves from the prior year in the applicable category from technical revisions, economic factors and extensions/improved recovery, by (ii) the aggregate production during the year. Reserves replacement ratio is a measure commonly used by management and investors to assess the rate at which reserves depleted by production are being replaced.

Additional information respecting the Company's oil and gas properties and operations is provided in the Company's annual information form for the year ended December 31, 2022 which is available on SEDAR at www.sedar.com or on Paramount's website at www.paramountres.com.

SOURCE Paramount Resources Ltd.

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<https://paramount.mediaroom.com/2023-03-07-Paramount-Resources-Ltd-Announces-Record-2022-Annual-Results>