

PARAMOUNT RESOURCES LTD. ANNOUNCES \$3.325 BILLION ASSET SALE

CALGARY, AB, Nov. 14, 2024 /CNW/ - Paramount Resources Ltd. ("Paramount" or the "Company") (TSX: POU) is pleased to announce that it has entered into a purchase and sale agreement (the "Agreement") with Ovintiv Inc. (NYSE: OVV) (TSX: OVV) and one of its wholly-owned subsidiaries (together, "Ovintiv") pursuant to which Ovintiv will acquire Paramount's Karr, Wapiti and Zama properties (the "Assets") for \$3.325 billion in cash plus certain Horn River Basin properties of Ovintiv (the "Transaction").

The Assets include approximately 170 net sections of Montney lands with 114 MMBoe of proved developed producing reserves, 270 MMBoe of proved reserves and 523 MMBoe of proved plus probable reserves as at December 31, 2023. ⁽¹⁾ The Assets also include the related gathering systems and other field infrastructure. Ovintiv will assume Paramount's processing and transportation commitments relating to the Assets on closing of the Transaction. Third quarter 2024 sales volumes and netback for the Assets were approximately 67,600 Boe/d (50% liquids) and \$150 million, respectively. ⁽²⁾⁽³⁾

The Horn River Basin properties to be received by the Company as part of the Transaction include Ovintiv's 50% operated interest within the current joint venture with Paramount at the Two Island Lake field and a 50% operated interest at the Kiwigana field. The Two Island Lake field and Ovintiv's interest in the Kiwigana field were producing over 40 MMcf/d of natural gas prior to being shut-in in March 2024.

"We believe this transaction provides an opportunity to realize compelling value for the Assets while retaining a significant inventory of growth opportunities across our land base", said Jim Riddell, President and Chief Executive Officer of Paramount. "The transaction demonstrates Paramount's ability to provide long-term value creation for its shareholders through the low-cost capture, delineation and organic development of early-stage assets, culminating in the realization of attractive value via strategic divestitures. On completion of the transaction, we will be well positioned to continue the development of our high-growth Duvernay assets, advance a number of our exciting early-stage assets and capitalize on new opportunities. We intend to use a portion of the proceeds of the transaction to provide a meaningful return to our shareholders. We expect to disclose further details of our shareholder return strategy in due course."

TRANSACTION DETAILS

The purchase price will be subject to adjustments based on an effective date of October 1, 2024. Closing of the Transaction is expected to occur in the first quarter of 2025, subject to the receipt of regulatory approvals and the satisfaction of other customary closing conditions. The Agreement provides for a \$100 million deposit by Ovintiv. If the Transaction is not completed, the deposit may be forfeited by Ovintiv to Paramount in certain circumstances set out in the Agreement.

A copy of the Agreement will be filed on Paramount's SEDAR+ profile and will be available for viewing at www.sedarplus.ca.

SHAREHOLDER RETURN STRATEGY

The Transaction, which brings forward the value of the Assets, will enable Paramount to provide shareholders with a meaningful cash distribution. The Company intends to retain a portion of the proceeds of the Transaction to reinvest in its growth opportunities and will continue to have the flexibility to pursue the repurchase of its common shares through its normal course issuer bid.

Paramount views its regular monthly dividend, which has been increased by over 150% in the last three years, as an important part of the return it provides to shareholders. The Company intends to maintain its monthly dividend at the current level of \$0.15 per share until the closing of the Transaction. Paramount anticipates reviewing and potentially adjusting the monthly dividend to reflect the updated operations and capital structure of the Company following closing of the Transaction.

POST-TRANSACTION STRATEGY

The sale of the Assets represents a pivotal milestone for Paramount as it continues to successfully execute its strategy of early-stage resource capture, delineation and development followed by strategic value realization. Following closing of the Transaction, Paramount will focus on the development of its Duvernay assets at Willesden Green and Kaybob North, which have significant growth potential and production that all flows through Company owned and operated infrastructure. The Company will also advance the ongoing appraisal of its newly acquired Sinclair Montney property. As always, Paramount will continue to evaluate opportunities for accretive transactions and organic growth, while remaining focused on capital discipline and maintaining a strong balance sheet.

Paramount's asset base following the Transaction will have approximately 30,000 Boe/d of liquids-rich production and a deep inventory of opportunities at various stages in the development lifecycle:

- Kaybob: Continued growth of Kaybob North Duvernay from third quarter 2024 sales volumes of approximately 8,200 Boe/d to targeted plateau production of approximately 16,000 Boe/d, while legacy conventional Montney and Cretaceous

production provides stable cash flow to reinvest in other growth assets.

- Willesden Green Duvernay: Approximately 249,000 net acres with over 700 internally estimated Duvernay locations supporting growth from third quarter 2024 sales volumes of approximately 5,200 Boe/d to targeted plateau production of over 50,000 Boe/d. ⁽⁴⁾ The construction of the Company's second operated natural gas processing plant at Willesden Green is on schedule for completion by the fourth quarter of 2025 and will add approximately 18,000 Boe/d of raw handling capacity (comprised of 50 MMcf/d of raw gas handling and 10,000 Bbl/d of raw liquids handling). Paramount is evaluating the potential to accelerate future phases of the plant to achieve targeted plateau production earlier.
- Sinclair Montney: Approximately 107,000 net acres located west of Grande Prairie. The first of two horizontal appraisal wells has recently been spud.
- Paramount has additional strategic value and optionality through its long-term assets within the Liard and Horn River Basins, thermal oil and cold flow heavy oil exposure and other investments.

Paramount continues to also own a substantial portfolio of investments in both publicly traded and private entities which had a carrying value of \$482 million at September 30, 2024.

ADVISORS AND FAIRNESS OPINION

BMO Capital Markets and Peters & Co. Limited are acting as lead financial advisors to Paramount in connection with the Transaction.

The Transaction has been unanimously approved by Paramount's board of directors. Peters & Co. Limited has provided an opinion to Paramount's board of directors to the effect that, as of the date of such opinion and based upon and subject to the assumptions, limitations and qualifications set forth therein, the consideration to be received by Paramount under the Transaction is fair, from a financial point of view, to Paramount.

Norton Rose Fulbright Canada LLP is acting as legal counsel to Paramount on the Transaction. Scotiabank, RBC Capital Markets and ATB Capital Markets acted as strategic advisors to the Company in connection with the Transaction.

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 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:

- the expected closing of the Transaction and the expected timing thereof;
- the intended use of proceeds of the Transaction, including the statement that the Transaction will enable Paramount to provide shareholders with a meaningful cash distribution;
- Paramount's intentions with respect to the payment of monthly dividends until the closing of the Transaction and potential adjustments to the monthly dividend;
- the benefits of the Transaction and Paramount's business, business strategies and plans following the completion of the Transaction;
- planned and potential exploration, development and production activities;
- targeted potential plateau production rates at Kaybob North Duvernay and Willesden Green Duvernay;
- the number of internally estimated drilling locations at Willesden Green; and
- the Company's second operated natural gas processing plant at Willesden Green being on schedule for completion by the fourth quarter of 2025 and the anticipated handling capacity of the facility.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect.

The forward-looking information concerning: (i) the expected closing of the Transaction and the expected timing thereof, (ii) the intended use of the proceeds of the Transaction, including the statement that the Transaction will enable Paramount to provide shareholders with a meaningful cash distribution, (iii) Paramount's intentions with respect to the payment of monthly dividends

until the closing of the Transaction and potential adjustments to the monthly dividend, and (iv) the benefits of the Transaction and Paramount's business, business strategies and plans following the completion of the Transaction is based on the assumption that all closing conditions to the Transaction will be satisfied and the closing of the Transaction will occur as anticipated. In addition, any future dividend or other distribution to shareholders is subject to final approval by the Board of Directors of the Company and the need to comply with requirements under debt agreements and applicable laws respecting the declaration and payment of dividends and distributions.

The forward-looking information concerning: (i) planned and potential exploration, development and production activities, (ii) targeted potential plateau production rates at Kaybob North Duvernay and Willesden Green Duvernay, (iii) the number of internally estimated drilling locations at Willesden Green and (iv) the Company's second operated natural gas processing plant at Willesden Green being on schedule for completion by the fourth quarter of 2025 and the anticipated handling capacity of the facility is based on assumptions that 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 international conflicts, including in Ukraine and the Middle East;
- 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 funds required for exploration, development and other operations and the meeting of 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, disposal and storage capacity on acceptable terms and the capacity and reliability of facilities;
- the ability of Paramount to obtain the volumes of water required for completion activities;
- 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 sales volumes, reserves additions, product yields and product 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: (i) drilling programs and other operations, including well completions and tie-ins, (ii) the construction, commissioning and start-up of new and expanded third-party and Company facilities, including the second natural gas processing facility at Willesden Green, and (iii) 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.

With respect to the forward-looking information concerning: (i) the expected closing of the Transaction and the expected timing thereof, (ii) the intended use of the proceeds of the Transaction, including the statement that the Transaction will enable Paramount to provide shareholders with a meaningful cash distribution, (iii) Paramount's intentions with respect to the payment of monthly dividends until the closing of the Transaction and potential adjustments to the monthly dividend, and (iv) the benefits of the Transaction and Paramount's business, business strategies and plans following the completion of the Transaction, there is a risk that the Transaction will not be completed on the terms anticipated or at all, including due to a closing condition not being satisfied. Further, even if the Transaction closes as anticipated, the Board of Directors of the Company retains the discretion to determine how to use the proceeds to the Transaction, not to declare or approve any future dividend or other distribution to shareholders and, if a dividend or other distribution to shareholders is declared or approved, determine the amount thereof. There are no assurances as to the continuing declaration and payment of future dividends or other distributions to shareholders or the amount or timing of any such dividends or other distributions to shareholders.

With respect to the forward-looking information concerning: (i) planned and potential exploration, development and production activities, (ii) targeted potential plateau production rates at Kaybob North Duvernay and Willesden Green Duvernay, (iii) the number of internally estimated drilling locations at Willesden Green and (iv) the Company's second operated natural gas processing plant at Willesden Green being on schedule for completion by the fourth quarter of 2025 and the anticipated handling capacity of the facility, 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;
- changes in foreign currency exchange rates, interest rates and the rate of inflation;

- the uncertainty of estimates and projections relating to future production, product yields (including condensate to natural gas ratios), revenue, free cash flow, reserves additions, product recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate processing, transportation, fractionation, disposal 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;
- risks associated with wildfires, including the risk of physical loss or damage to wells, facilities, pipelines and other infrastructure, prolonged disruptions in production, restrictions on the ability to access properties, interruption of electrical and other services and significant delays or changes to planned development activities and facilities maintenance;
- 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 and the second natural gas processing facility at Willesden Green;
- processing, transportation, fractionation, disposal and storage outages, disruptions and constraints;
- potential limitations on access to the volumes of water required for completion activities due to drought, conditions of low river flow, government restrictions or other factors;
- 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 asset retirement obligations, 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, including those required for the second natural gas processing facility at Willesden Green;
- 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, 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, 2023, which is available on SEDAR+ at www.sedarplus.ca 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.

Specified Financial Measures

Netback is a non-GAAP financial measure. This measure is not a standardized measure under IFRS and might not be comparable to similar financial measures presented by other issuers. This measure should not be considered in isolation or construed as an alternative to its 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) less royalties, operating expense and transportation and NGLs processing expense. Netback is used by investors and management to compare the performance of the Company's producing assets between periods.

Oil and Gas Measures and Definitions

This press release contains disclosures expressed as "Boe" (meaning barrels of oil equivalent) and "MMBoe" (meaning millions of barrels of oil equivalent). 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, 2024, the value ratio between crude oil and natural gas was approximately 73:1. 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 information respecting Paramount's internal estimate of future potential undeveloped locations at Willesden Green Duvernay. The future potential undeveloped location information contained in this press release represents

gross locations and was prepared March 5, 2024 and effective December 31, 2023 by internal qualified reserves evaluators from Paramount. The undeveloped locations referred to in this press release were determined by Paramount's internal evaluators based on, among other matters, their assessment of available reservoir, geological and technical information, the economic thresholds necessary for development and potential future development plans. There is no certainty that the Company will drill any of the identified future potential undeveloped locations and there is no certainty that such locations will result in additional reserves or production. The locations on which the Company will actually drill wells, including the number and timing thereof will be dependent upon the availability of funding, regulatory approvals, seasonal restrictions, oil, NGLs and natural gas prices, costs, actual drilling results, additional reservoir, geological and technical information that is obtained and other factors. While certain of the estimated undeveloped locations have been de-risked by drilling existing wells in relative close proximity to such locations, many of the locations are further away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty as to whether wells will be drilled in such locations, and if wells are drilled in such locations there is more uncertainty that such wells will result in additional oil and natural gas reserves or production.

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, 2023 which is available on SEDAR+ at www.sedarplus.ca or on Paramount's website at www.paramountres.com.

Reserves Data

Reserves data set forth in this press release is based upon an evaluation of the Company's reserves prepared in accordance with Canadian standards by McDaniel & Associates Consultants Ltd. ("McDaniel") dated March 5, 2024 and effective December 31, 2023 (the "McDaniel Report"). The reserves referenced in this press release are gross reserves. The estimates of reserves contained in the McDaniel Report and referenced in this document 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. 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. Readers should refer to the Company's annual information form for the year ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca or on Paramount's website at www.paramountres.com, for a complete description of the McDaniel Report and the material assumptions, limitations and risk factors pertaining thereto.

Product Type Information

This press release includes references to sales volumes of "natural gas" and "liquids". "Natural gas" refers to shale gas and conventional natural gas combined. "Liquids" refers to condensate, light and medium crude oil, tight oil, heavy crude oil and Other NGLs combined. "Other NGLs" refers to ethane, propane and butane.

Third quarter 2024 sales volumes for the Assets averaged approximately 67,600 Boe/d (50% shale gas and conventional natural gas combined, 43% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 7% other NGLs).

Third quarter 2024 sales volumes for Kabyob North Duvernay and Willesden Green Duvernay combined averaged approximately 13,400 Boe/d (38% shale gas and conventional natural gas combined, 52% condensate, light and medium crude oil, tight oil and heavy crude oil combined and 10% other NGLs).

- (1) All reserves are gross reserves based on an evaluation prepared in accordance with Canadian standards by McDaniel & Associates Consultants Ltd. dated March 5, 2024 and effective December 31, 2023. See "Reserves Data" in the Advisories section.
- (2) See the "Product Type Information" in the Advisories section for a breakdown of sales volumes disclosed in this press release by the specific product types of shale gas, conventional natural gas, NGLs, light and medium crude oil, tight oil and heavy crude oil. See also "Oil and Gas Measures and Definitions" in the Advisories section.
- (3) "Netback" is a Non-GAAP financial measure. See "Specified Financial Measures" in the Advisories section.
- (4) See "Oil and Gas Measures and Definitions" in the Advisories section for additional information respecting internally estimated drilling locations.

SOURCE Paramount Resources Ltd.

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