Paramount resources ltd.

Management's Discussion and Analysis
For the three and nine months ended September 30, 2017

This Management's Discussion and Analysis ("MD&A"), dated November 8, 2017, should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements of Paramount Resources Ltd. ("Paramount" or the "Company") as at and for the three and nine months ended September 30, 2017 and Paramount's audited Consolidated Financial Statements as at and for the year ended December 31, 2016. Financial data included in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and is stated in millions of Canadian dollars, unless otherwise noted. The Company's accounting policies have been applied consistently to all periods presented.

The disclosures in this document include forward-looking information, non-GAAP measures and certain oil and gas measures. Readers are referred to the Advisories section of this document concerning such matters. Certain comparative figures have been reclassified to conform to the current years' presentation. Additional information concerning Paramount, including its Annual Information Form, can be found on the SEDAR website at www.sedar.com.

ABOUT PARAMOUNT

Paramount is an independent, publicly traded, Canadian energy company that explores and develops conventional and unconventional petroleum and natural gas prospects, including long-term unconventional exploration and pre-development projects, and holds a portfolio of investments in other entities. The Company's principal properties are primarily located in Alberta and British Columbia. Paramount's Class A Common Shares ("Common Shares") are listed on the Toronto Stock Exchange under the symbol "POU".

Paramount's operations are grouped into three business segments, which have been established by management to assist in resource allocation, to assess operating performance and to achieve long-term strategic objectives: i) Principal Properties; ii) Strategic Investments; and iii) Corporate.

Principal Properties include the Company's exploration, development, production and marketing operations. Paramount is primarily focused on the development of liquids-rich resource plays targeting the Montney and Duvernay formations in the Alberta Deep Basin and has material resource positions and production in central Alberta and northeast British Columbia.

Strategic Investments include: (i) investments in other entities; (ii) investments in exploration and development stage assets, where there is no near-term expectation of commercial production, but a longer-term value proposition based on spin-outs, dispositions, or future revenue generation, including oil sands and carbonate bitumen interests held by Paramount's wholly-owned subsidiary Cavalier Energy ("Cavalier"), and prospective shale gas acreage in the Liard and Horn River Basins (the "Shale Gas Properties"); and (iii) drilling rigs owned by Paramount's wholly-owned subsidiary, Fox Drilling Limited Partnership ("Fox Drilling").

The Corporate segment is comprised of income and expense items, including general and administrative expense, share-based compensation expense and interest expense, which have not been specifically allocated to Principal Properties or Strategic Investments.

FINANCIAL AND OPERATING HIGHLIGHTS (1)(2)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
FINANCIAL				
Petroleum and natural gas sales	**116.5**	51.7	**232.6**	216.5
Net income	**223.5**	1,029.4	**289.5**	952.9
per share – basic ($/share)	***1.99***	*9.69*	***2.68***	*8.97*
per share – diluted ($/share)	***1.97***	*9.64*	***2.65***	*8.97*
Funds flow from operations	**45.3**	3.8	**108.6**	21.3
per share – basic ($/share)	***0.40***	*0.04*	***1.00***	*0.20*
per share – diluted ($/share)	***0.40***	*0.04*	***0.99***	*0.20*
Principal Properties Capital (3)	**122.0**	46.6	**380.9**	92.9
Investments in other entities – market value (4)			**56.5**	466.7
Total assets			**5,020.9**	2,130.3
Net debt (cash)			**564.3**	(385.3)
OPERATIONAL				
Sales volumes				
Natural gas (MMcf/d)	**177.2**	88.6	**94.3**	124.0
Condensate and oil (Bbl/d)	**14,845**	5,335	**9,801**	9,342
Other NGLs (Bbl/d) (5)	**4,641**	4,687	**2,449**	8,556
Total (Boe/d)	**49,023**	24,786	**27,971**	38,562
FUNDS FLOW FROM OPERATIONS ($/Boe)				
Petroleum and natural gas sales	**25.84**	22.66	**30.46**	20.49
Royalties	**(1.11)**	(0.02)	**(1.03)**	(0.20)
Operating expense	**(10.59)**	(10.96)	**(10.45)**	(8.15)
Transportation and NGLs processing (6)	**(2.74)**	(5.56)	**(3.49)**	(4.94)
Netback	**11.40**	6.12	**15.49**	7.20
Commodity contract settlements	**1.36**	4.78	**1.41**	3.54
Netback including commodity contract settlements	**12.76**	10.90	**16.90**	10.74
General and administrative – corporate	**(2.01)**	(1.18)	**(2.27)**	(1.39)
General and administrative – strategic investments	**(0.36)**	(0.60)	**(0.66)**	(0.44)
Interest and financing expense	**(0.41)**	(7.67)	**(0.30)**	(6.93)
Interest Income	**0.22**	0.13	**0.60**	0.04
Other	**(0.14)**	0.09	**(0.05)**	—
Funds flow from operations	**10.06**	1.67	**14.22**	2.02

(1) Readers are referred to the advisories concerning Non-GAAP measures and Oil and Gas Measures and Definitions in the Advisories section of this document and to the reconciliations of such Non-GAAP measures to their most directly comparable measure under GAAP in the applicable sections of this document. This table contains the following Non-GAAP measures: Funds flow from operations, Principal Properties Capital, Investments in other entities – market value, Net debt (cash) and Netback.

(2) The results of operations and net assets of Apache Canada Ltd. are included in Paramount's results following the Apache Canada Acquisition on August 16, 2017. The results of operations and net assets of Trilogy Energy Corp. are included in Paramount's results following the closing of the Trilogy Merger on September 12, 2017.

(3) Principal Properties Capital includes capital expenditures and geological and geophysical costs related to the Company's Principal Properties and excludes land acquisitions.

(4) Based on the period-end closing prices of publicly-traded investments and the book value of remaining investments.

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

(6) Includes downstream natural gas, NGLs and oil transportation costs and NGLs fractionation costs incurred by the Company.

CONSOLIDATED RESULTS

Net Income

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Principal Properties	**(19.7)**	1,215.5	**117.9**	1,245.5
Strategic Investments	**53.4**	(15.0)	**28.4**	(44.7)
Corporate	**120.2**	(33.7)	**106.3**	(80.7)
Income tax recovery (expense)	**69.6**	(137.4)	**36.9**	(167.2)
Net income	**223.5**	1,029.4	**289.5**	952.9

On August 16, 2017, Paramount acquired all of the outstanding shares of Apache Canada Ltd. ("Apache Canada") for total cash consideration of $486.9 million (the "Apache Canada Acquisition"). Apache Canada was a wholly-owned subsidiary of a publicly traded U.S. based international oil and gas company. Apache Canada's primary oil and gas assets are located at Wapiti, Kaybob and in Central Alberta.

On September 12, 2017, Paramount and Trilogy Energy Corp. ("Trilogy") completed a merger transaction (the "Trilogy Merger") under which Paramount acquired all of the outstanding shares of Trilogy ("Trilogy Shares") not already owned by it in exchange for class A common shares of Paramount ("Common Shares"), on the basis of one Common Share for every 3.75 Trilogy shares. Trilogy was, prior to the completion of the Trilogy Merger, a publicly traded petroleum and natural gas-focused Canadian energy corporation. Trilogy's primary oil and gas assets were located in the Kaybob and Grande Prairie areas of Alberta.

Following completion of the Apache Canada Acquisition, Apache Canada became a direct wholly-owned subsidiary of Paramount and upon completion of the Trilogy Merger, Trilogy became a direct wholly-owned subsidiary of Paramount. Since the closings of the transactions, Paramount has continued its operations, together with the operations of Apache Canada (renamed Paramount Resources (ACL) Ltd.) and Trilogy (renamed Paramount Resources (TEC) Ltd.), on a combined basis.

In April 2016, the Company sold its natural gas processing facilities at Musreau/Kakwa in west central Alberta (the "Musreau Complex") to Pembina. In August 2016, the Company sold the majority of its oil and gas properties at Musreau/Kakwa to Seven Generations Energy Ltd. (the "Musreau Assets"). When used herein, "Musreau Transactions" means the sale of the Musreau Complex and the sale of the Musreau Assets.

Paramount's third quarter 2017 results include the results of operations of Apache Canada from August 16 (46 days), the date the Apache Canada Acquisition closed, and Trilogy's results of operations from September 12, 2017 (19 days), the closing date of the Trilogy Merger.

When used herein, "Ongoing Operations" represents Paramount's total results for the relevant period less amounts attributable to the Musreau Complex and the Musreau Assets.

Certain operating results in respect of Ongoing Operations for the three and nine months ended September 30, 2017 have been presented to separate results attributable to Apache Canada following the Apache Canada Acquisition on August 16, 2017, Trilogy following the Trilogy Merger on September 12, 2017 and Paramount's other properties ("PRL").

Paramount recorded net income of $223.5 million for the three months ended September 30, 2017 compared to net income of $1,029.4 million in the same period in 2016. Significant factors contributing to the change are shown below:

Three months ended September 30	
Net income – 2016	**1,029.4**
• Gain on Apache Canada Acquisition	366.1
• Income tax recovery in 2017 compared to income tax expense in 2016	207.0
• Revaluation gain on Trilogy Shares owned by Paramount immediately prior to the Trilogy Merger	61.8
• Higher netback	37.5
• Lower debt extinguishment expense	18.3
• Lower exploration and evaluation expense	15.9
• Lower interest and financing expense due to lower debt in 2017	15.9
• Lower gain on sale of oil and gas assets in 2017 primarily due to the Musreau Transactions in 2016	(1,213.7)
• ARO Discount Rate Adjustment related to the Apache Canada Acquisition	(223.4)
• Higher depletion and depreciation	(65.5)
• Transaction and reorganization costs in 2017 related to the Apache Canada Acquisition and Trilogy Merger	(9.7)
• Higher general and administrative costs mainly due to the Apache Canada Acquisition and Trilogy Merger	(6.7)
• Foreign exchange loss in 2017; the 2016 gain mainly related to US$450 million senior notes	(6.0)
• Other	(3.4)
Net income – 2017	**223.5**

Paramount recorded net income of $289.5 million for the nine months ended September 30, 2017 compared to net income of $952.9 million in the same period in 2016. Significant factors contributing to the change are shown below:

Nine months ended September 30	
Net income – 2016	**952.9**
• Gain on Apache Canada Acquisition	366.1
• Income tax recovery in 2017 compared to income tax expense in 2016	204.1
• Lower interest and financing expense due to lower debt in 2017	72.6
• Lower depletion and depreciation primarily due to a $42.1 million impairment reversal in 2017	63.9
• Revaluation gain on Trilogy Shares owned by Paramount immediately prior to the Trilogy Merger	61.8
• Higher netback	42.2
• Lower debt extinguishment expense	18.3
• Lower share-based compensation expense primarily due to stock options cancelled in 2016	15.7
• Lower exploration and evaluation expense	14.8
• Income from equity-accounted investment in 2017 compared to a loss in 2016	13.5
• Higher gain on commodity contracts in 2017	11.0
• Lower gain on sale of oil and gas assets in 2017 primarily due to the Musreau Transactions in 2016	(1,256.4)
• ARO Discount Rate adjustment related to the Apache Canada Acquisition	(223.4)
• Foreign exchange loss in 2017; the 2016 gain mainly related to US$450 million senior notes	(44.6)
• Transaction and reorganization costs in 2017 related to the Apache Canada Acquisition and Trilogy Merger	(14.4)
• Decrease in market value of securities distributed to Paramount's shareholders by way of dividend in January 2017	(10.5)
• Other	1.9
Net income – 2017	**289.5**

Funds Flow from Operations [1]

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

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Cash from operating activities	**49.4**	9.7	**82.9**	52.1
Change in non-cash working capital	**(23.7)**	(7.8)	**(5.7)**	(35.5)
Transaction and reorganization costs	**9.7**	–	**14.4**	–
Geological and geophysical expenses	**2.2**	1.7	**4.5**	3.9
Asset retirement obligations settled	**7.7**	0.2	**12.5**	0.8
Funds flow from operations	**45.3**	3.8	**108.6**	21.3
Funds flow from operations (*$/Boe*)	**10.06**	1.67	***14.22***	2.02

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

Funds flow from operations for the three months ended September 30, 2017 was $45.3 million compared to $3.8 million for the same period in 2016. Significant factors contributing to the change are shown below:

Three months ended September 30	
Funds flow from operations – 2016	**3.8**
• Higher netback	37.5
• Lower interest and financing expense due to lower debt in 2017	15.6
• Higher interest income in 2017	0.7
• Higher general and administrative expense	(6.7)
• Lower receipts from commodity contract settlements	(4.7)
• Other	(0.9)
Funds flow from operations – 2017	**45.3**

Funds flow from operations for the nine months ended September 30, 2017 was $108.6 million compared to $21.3 million in the same period in 2016. Significant factors contributing to the change are shown below:

Nine months ended September 30	
Funds flow from operations – 2016	**21.3**
• Lower interest and financing expense due to lower debt in 2017	70.9
• Higher netback	42.2
• Higher interest income in 2017	4.4
• Lower receipts from commodity contract settlements	(26.6)
• Higher general and administrative expense	(3.0)
• Other	(0.6)
Funds flow from operations – 2017	**108.6**

PRINCIPAL PROPERTIES

Netback and Segment Income

	Three months ended September 30				Nine months ended September 30			
	2017		2016		**2017**		2016	
		($/Boe)[(1)]		*($/Boe)[(1)]*		***($/Boe)[(1)]***		*($/Boe)[(1)]*
Natural gas revenue	**30.9**	***1.89***	21.6	*2.65*	**62.9**	***2.44***	68.6	*2.02*
Condensate and oil revenue	**74.2**	***54.30***	25.1	*51.15*	**152.2**	***56.90***	121.7	*47.54*
Other NGLs revenue (2)	**9.8**	***23.05***	4.8	*11.11*	**15.2**	***22.59***	25.3	*10.79*
Royalty and sulphur revenue	**1.6**	**–**	0.2	–	**2.3**	**–**	0.9	–
Petroleum and natural gas sales	**116.5**	***25.84***	51.7	*22.66*	**232.6**	***30.46***	216.5	*20.49*
Royalties	**(5.0)**	***(1.11)***	(0.1)	*(0.02)*	**(7.8)**	***(1.03)***	(2.1)	*(0.20)*
Operating expense	**(47.8)**	***(10.59)***	(25.0)	*(10.96)*	**(79.8)**	***(10.45)***	(86.1)	*(8.15)*
Transportation and NGLs processing (3)	**(12.3)**	***(2.74)***	(12.7)	*(5.56)*	**(26.6)**	***(3.49)***	(52.2)	*(4.94)*
Netback	**51.4**	***11.40***	13.9	*6.12*	**118.4**	***15.49***	76.1	*7.20*
Commodity contract settlements	**6.2**	***1.36***	10.9	*4.78*	**10.8**	***1.41***	37.4	*3.54*
Netback including commodity contract settlements	**57.6**	***12.76***	24.8	*10.90*	**129.2**	***16.90***	113.5	*10.74*
Other principal property items (see below)	**(77.3)**		1,190.7		**(11.3)**		1,132.0	
Segment income (loss)	**(19.7)**		1,215.5		**117.9**		1,245.5	

(1) Natural gas revenue shown per Mcf.
(2) Other NGLs means ethane, propane and butane.
(3) Includes downstream natural gas, NGLs and oil transportation costs and NGLs fractionation costs incurred by the Company.

Petroleum and natural gas sales were $116.5 million in the third quarter of 2017, an increase of $64.8 million from the third quarter of 2016. The increase was mainly due to higher sales volumes, partially offset by lower natural gas prices. Petroleum and natural gas sales were $232.6 million for the nine months ended September 30, 2017, an increase of $16.1 million compared to the same period of 2016. The increase was mainly due to higher commodity prices, partially offset by lower sales volumes due to the sale of the Musreau Assets in 2016.

The impact of changes in sales volumes and prices on petroleum and natural gas sales are as follows:

	Natural gas	Condensate and oil	Other NGLs	Royalty and sulphur	Total
Three months ended September 30, 2016	21.6	25.1	4.8	0.2	51.7
Effect of changes in sales volumes	21.6	44.8	–	–	66.4
Effect of changes in prices	(12.4)	4.3	5.0	–	(3.1)
Change in royalty and sulphur revenue	0.1	–	–	1.4	1.5
Three months ended September 30, 2017	**30.9**	**74.2**	**9.8**	**1.6**	**116.5**

	Natural gas	Condensate and oil	Other NGLs	Royalty and Sulphur	Total
Nine months ended September 30, 2016	68.6	121.7	25.3	0.9	216.5
Effect of changes in sales volumes	(16.6)	5.5	(18.1)	–	(29.2)
Effect of changes in prices	10.9	25.0	7.9	–	43.8
Change in royalty and sulphur revenue	–	–	0.1	1.4	1.5
Nine months ended September 30, 2017	**62.9**	**152.2**	**15.2**	**2.3**	**232.6**

Sales Volumes

	Three months ended September 30											
	Natural gas (MMcf/d)			Condensate and Oil (Bbl/d)			Other NGLs (Bbl/d)			Total (Boe/d)		
	2017	2016	% Change	**2017**	2016	% Change	**2017**	2016	% Change	**2017**	2016	% Change
PRL (1)	**74.0**	47.5	*56*	**10,847**	2,378	*356*	**2,111**	857	*146*	**25,294**	11,148	*127*
Apache Canada (2)	**84.1**	–	*100*	**2,555**	–	*100*	**2,393**	–	*100*	**18,960**	–	*100*
Trilogy (3)	**19.1**	–	*100*	**1,443**	–	*100*	**137**	–	*100*	**4,769**	–	*100*
Ongoing Operations	**177.2**	47.5	*273*	**14,845**	2,378	*524*	**4,641**	857	*442*	**49,023**	11,148	*340*
Musreau Assets	**–**	41.1	*(100)*	**–**	2,957	*(100)*	**–**	3,830	*(100)*	**–**	13,638	*(100)*
Total	**177.2**	88.6	*100*	**14,845**	5,335	*178*	**4,641**	4,687	*(1)*	**49,023**	24,786	*98*

(1) Excludes the results of Apache Canada, Trilogy and the Musreau Assets.
(2) Sales volumes for Apache Canada from August 16, 2017 to September 30, 3017 (46 days).
(3) Sales volumes for Trilogy from September 12, 2017 to September 30, 3017 (19 days).

Sales volumes increased 98 percent to 49,023 Boe/d in the third quarter of 2017 compared to 24,786 Boe/d in the same period in 2016. The increase was primarily due to incremental sales volumes from Apache Canada and Trilogy for a portion of the third quarter and new production at Karr-Gold Creek, partially offset by lower sales volumes as a result of the sale of the Musreau Assets in 2016.

Natural gas sales volumes for PRL increased 56 percent to 74.0 MMcf/d in the third quarter of 2017. Condensate and oil sales volumes for PRL increased 356 percent to 10,847 Bbl/d in the third quarter of 2017 compared to 2,378 Bbl/d in 2016. Paramount is currently executing a 27 (27.0 net) well horizontal Montney drilling and completion program at Karr-Gold Creek, which commenced in mid-2016 (the "Karr Program"). The increase in PRL sales volumes is primarily due to production from new Karr Program wells brought on production since late-2016.

Sales volumes in August 2017 were impacted by scheduled outages at a downstream third-party processing facility and a third-party natural gas pipeline that shut-in approximately 13,000 Boe/d of production at Karr-Gold Creek for approximately three weeks in August.

Average sales volumes for the fourth quarter of 2017 are expected to exceed 95,000 Boe/d, with greater than 38 percent Liquids volumes. Paramount expects sales volumes to average approximately 100,000 Boe/d in 2018, including 40 percent Liquids volumes. The Company's sales volumes are expected to remain at this level until production at Wapiti begins to ramp up in the spring of 2019 when 150 MMcf/d of new third-party gas processing capacity is scheduled to come on-stream. Operating costs through the 2018 period are estimated to be approximately $10.00 per Boe. Transportation costs are expected to average $3.10 per Boe with royalties of approximately $1.65 per Boe.

	Nine months ended September 30											
	Natural gas (MMcf/d)			Condensate and Oil (Bbl/d)			Other NGLs (Bbl/d)			Total (Boe/d)		
	2017	2016	% Change	**2017**	2016	% Change	**2017**	2016	% Change	**2017**	2016	% Change
PRL (1)	**59.5**	49.0	*21*	**8,454**	2,600	*225*	**1,597**	822	*94*	**19,975**	11,583	*72*
Apache Canada (2)	**28.3**	–	*100*	**861**	–	*100*	**807**	–	*100*	**6,389**	–	*100*
Trilogy (3)	**6.5**	–	*100*	**486**	–	*100*	**45**	–	*100*	**1,607**	–	*100*
Ongoing Operations	**94.3**	49.0	*92*	**9,801**	2,600	277	**2,449**	822	*198*	**27,971**	11,583	*141*
Musreau Assets	**–**	75.0	*(100)*	**–**	6,742	*(100)*	**–**	7,734	*(100)*	**–**	26,979	*(100)*
Total	**94.3**	124.0	*(24)*	**9,801**	9,342	*5*	**2,449**	8,556	*(71)*	**27,971**	38,562	*(27)*

(1) Excludes the results of Apache Canada, Trilogy and the Musreau Assets.
(2) Sales volumes for Apache Canada from August 16, 2017 to September 30, 3017 (46 days).
(3) Sales volumes for Trilogy from September 12, 2017 to September 30, 3017 (19 days).

Sales volumes for the nine months ended September 30, 2017 decreased 27 percent to 27,971 Boe/d compared to 38,562 Boe/d in the same period in 2016. The decrease was primarily due to sale of the Musreau Assets in 2016, partially offset by new production at Karr-Gold Creek and incremental sales volumes resulting from the Apache Canada Acquisition and the Trilogy Merger.

Commodity Prices

	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	**2017**	2016	% Change
Natural Gas						
Paramount realized price ($/Mcf)	**1.89**	2.65	(29)	**2.44**	2.02	21
AECO daily spot ($/GJ)	**1.38**	2.19	(37)	**2.19**	1.76	24
AECO monthly index ($/GJ)	**1.93**	2.09	(8)	**2.47**	1.76	40
Malin (US$/MMbtu)	**2.53**	2.69	(6)	**2.83**	2.18	30
Crude Oil						
Paramount average realized condensate & oil price ($/Bbl)	**54.30**	51.15	6	**56.90**	47.54	20
Edmonton Light Sweet ($/Bbl)	**57.15**	54.19	5	**60.54**	50.14	21
West Texas Intermediate (US$/Bbl)	**48.20**	44.94	7	**49.46**	41.33	20
Foreign Exchange						
$CDN / 1 $US	**1.25**	1.31	(5)	**1.31**	1.32	(1)

Paramount's average realized natural gas price increased 21 percent for the nine months ended September 30, 2017 compared to the same period in 2016, consistent with increases in benchmark prices. The Company's average realized condensate and oil price increased 20 percent in the nine months ended September 2017 compared to the same period in 2016, also consistent with increases in benchmark prices.

Paramount's natural gas portfolio primarily consists of sales priced at the Alberta, California and Chicago markets and is sold in a combination of daily and monthly contracts. The Company has arrangements in place to sell approximately 21,000 GJ/d of natural gas in California at prices based on the $US Malin hub price. The Company has also recently secured firm service transportation capacity for approximately 60,000 GJ/d of natural gas for delivery to the Dawn natural gas hub in Ontario beginning in November 2017, which provides access to eastern natural gas markets.

Paramount sells its condensate volumes in both stabilized and unstabilized condition, depending upon the location of production and the availability of stabilization capacity. Stabilized condensate volumes delivered through pipelines typically receive prices for condensate quoted at Edmonton, which are generally higher than prices for unstabilized condensate volumes, and are adjusted for applicable transportation, quality and density differentials. Prices for unstabilized condensate volumes trucked to terminals are based on crude oil or condensate prices quoted at Edmonton, depending on the terminal to which volumes are delivered, and are adjusted for transportation, quality and density differentials.

Commodity Price Management

From time-to-time Paramount uses financial commodity price contracts to manage exposure to commodity price volatility. At September 30, 2017, the Company had the following financial commodity contracts outstanding:

Instruments	Aggregate notional	Average fixed price	Fair Value	Remaining term
Gas – NYMEX Swaps (Sale)	80,000 MMBtu/d	US$3.42/MMBtu	3.5	October 2017 – December 2017
Gas – NYMEX Swaps (Sale)	20,000 MMBtu/d	US$3.37/MMBtu	0.2	October 2017
Gas – NYMEX Swaps (Purchase)	40,000 MMBtu/d	US$3.13/MMBtu	(0.4)	October 2017 – December 2017
Oil – NYMEX WTI Swaps (Sale)	4,000 Bbl/d	CDN$70.80/Bbl	2.2	October 2017 – December 2017
Oil – NYMEX WTI Swap (Sale)	2,000 Bbl/d	US$54.48/Bbl	0.7	October 2017 – December 2017
Oil – NYMEX WTI Collar	1,000 Bbl/d	US$40.00 – $55.20/Bbl	(0.1)	October 2017 – December 2017
			6.1	

Subsequent to September 30, 2017, the Company entered into the following financial commodity contracts:

Instruments	Aggregate notional	Average fixed price	Term
Oil – NYMEX WTI Swaps (Sale)	10,000 Bbl/d	CDN$69.84/Bbl	January 2018 – December 2018

Royalties

	Three months ended September 30				Nine months ended September 30			
	2017	**Rate**	2016	Rate	**2017**	**Rate**	2016	Rate
Royalties	**5.0**	**4.4%**	0.1	0.2%	**7.8**	**3.4%**	2.1	1.0%
$/Boe	***1.11***		*0.02*		***1.03***		*0.20*	

Third quarter royalties were $5.0 million in 2017 compared to $0.1 million in the same period in 2016. Royalties for the nine months ended September 30, 2017 were $7.8 million compared to $2.1 million in the same period in 2016. Royalties for the three and nine months ended September 30, 2017 increased as a result of increased production at Karr-Gold Creek and the impact of the Apache Canada Acquisition and the Trilogy Merger, partially offset by lower royalties due to the sale of the Musreau Assets in 2016. Royalty rates for Apache Canada and Trilogy are higher than Paramount's average royalty rates prior to the transactions, resulting in an increase to overall royalty rates for the Company in 2017.

Royalties for the nine months ended September 30, 2016 were reduced by $3.0 million due to annual gas cost allowance adjustments related to 2015.

Operating Expense

	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	**2017**	2016	% Change
Operating expense	**47.8**	25.0	91	**79.8**	86.1	(7)
$/Boe	***10.59***	*10.96*	(3)	***10.45***	*8.15*	28

Operating expense was $47.8 million in the third quarter of 2017, $22.8 million higher than the same period in 2016. Third quarter operating expenses were higher in 2017 as a result of the impact of the Apache Canada Acquisition and the Trilogy Merger and higher higher water handling costs and natural gas processing fees associated with higher production at Karr-Gold Creek, partially offset by the impact of the Musreau Transactions in 2016.

Operating expense decreased by $6.3 million for the nine months ended September 30, 2017 to $79.8 million compared to $86.1 million in the same period in 2016. This decrease was primarily due to the impact of the Musreau Transactions in 2016, partially offset by higher operating expenses in 2017 as a result of the Apache Canada Acquisition and Trilogy Merger and higher production at Karr-Gold Creek.

Transportation and NGLs Processing

	Three months ended September 30			Nine months ended September 30		
	2017	2016	% Change	**2017**	2016	% Change
Transportation and NGLs processing	**12.3**	12.7	(3)	**26.6**	52.2	(49)
$/Boe	***2.74***	*5.56*	(51)	***3.49***	*4.94*	(29)

Transportation and NGLs processing was $12.3 million in the third quarter of 2017, a decrease of $0.4 million compared to the third quarter of 2016. Transportation and NGLs processing for the nine months ended September 30, 2017 decreased $25.6 million to $26.6 million compared to $52.2 million in the same period of 2016.

Transportation and NGLs processing decreased compared to 2016 primarily as a result of the sale of the Musreau Assets in 2016, partially offset by higher current year trucking costs at Karr-Gold Creek due to increased Liquids production and the impact of the Apache Canada Acquisition and the Trilogy Merger. Paramount expects the majority of Liquids production at Karr-Gold Creek to be trucked until mid-2018, when the expansion of condensate stabilization capacity at a third-party facility is completed. The Company has contracted a dedicated fleet of trucks and 24-hour logistical services over this period to provide egress for Liquids production.

Other Principal Property Items

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Commodity contracts – net of settlements	**(9.5)**	(8.5)	**6.7**	(30.9)
Depletion and depreciation	**(86.7)**	(23.0)	**(160.5)**	(183.9)
Reversal of prior-years' write-downs	**–**	–	**42.1**	–
Exploration and evaluation	**(2.1)**	(16.7)	**(6.9)**	(20.5)
Accretion of asset retirement obligations	**(4.7)**	(0.9)	**(6.4)**	(3.3)
Gain on sale of oil and gas assets	**25.6**	1,239.3	**113.5**	1,370.3
Other	**0.1**	0.5	**0.2**	0.3
Total – other principal property items	**(77.3)**	1,190.7	**(11.3)**	1,132.0

Depletion and depreciation expense increased to $86.7 million ($19.22 per Boe) for the three months ended September 30, 2017 compared to $23.0 million ($10.09 per Boe) in the same period in 2016, primarily due to higher sales volumes and higher depletion rates in 2017. Depletion and depreciation expense decreased to $160.5 million in the nine months ended September 30, 2017 compared to $183.9 million in the same period in 2016, primarily as a result of the Musreau Transactions.

In May 2017, Paramount closed the sale of its oil and gas properties in the Valhalla area of Alberta (the "Valhalla Assets") for gross cash proceeds of $151.3 million, resulting in the recognition of a gain on sale of $82.2 million. A reversal of previously recorded impairment charges of $42.1 million was recorded for the three months ended March 31, 2017, representing the amount required to increase the carrying value of the Valhalla Assets to the amount that would have been determined, net of depletion and amortization, had no impairment charges been recognized in prior periods. The Valhalla Assets encompassed approximately 94 (74 net) sections of land and had average sales volumes of approximately 1,400 Boe/d in 2017 prior to being sold.

In August 2016, Paramount sold the Musreau Assets and recorded a gain on sale of $1,233.6 million. In April 2016, Paramount sold the Musreau Complex and recorded a gain of $125.9 million.

STRATEGIC INVESTMENTS

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
General and administrative	**(1.6)**	(1.4)	**(5.1)**	(4.6)
Share-based compensation	**(1.0)**	(0.5)	**(2.9)**	(5.3)
Depletion and depreciation	**(2.8)**	(0.9)	**(5.5)**	(3.9)
Interest and financing	**–**	(0.7)	**–**	(2.7)
Revaluation of Trilogy Shares	**61.8**	–	**61.8**	–
Income (loss) from equity-accounted investments	**(3.0)**	(2.8)	**1.9**	(11.6)
Write-down of investments in securities	**–**	(4.6)	**(11.0)**	(11.1)
Decrease in market value of securities distributed	**–**	–	**(10.5)**	–
Other	**–**	(4.1)	**(0.3)**	(5.6)
Segment income (loss)	**53.4**	(15.0)	**28.4**	(44.8)

Strategic Investments at September 30, 2017 include:

- investments in the shares of MEG Energy Corp. ("MEG"), Blackbird Energy Inc. ("Blackbird"), Marquee Energy Ltd. ("Marquee"), RMP Energy Inc. ("RMP Energy"), Strategic Oil & Gas Ltd. ("SOG"), and other public and private corporations;
- oil sands and carbonate bitumen interests owned by Cavalier, including at Hoole, in the western portion of the Athabasca Oil Sands region, and carbonate bitumen holdings in northeast Alberta;
- seven triple-sized drilling rigs, including four built-for-purpose walking rigs, owned and operated by Fox Drilling; and
- Shale Gas Properties in the Liard and Horn River Basins in northeast British Columbia and the Northwest Territories.

The carrying value of the 19.1 million Trilogy shares held by Paramount immediately prior to the Trilogy Merger was increased to fair value, resulting in the recognition of a gain of $61.8 million.

The aggregate write-downs of investments in securities of $11.0 million for the nine months ended September 30, 2017 and $11.1 million for the nine months ended September 30, 2016 resulted from decreases in the market value of certain of the Company's publicly traded investments.

In December 2016, the Company's Board of Directors declared a dividend of the Company's remaining 3.8 million class A common shares of Seven Generations Energy Ltd. ("7Gen Shares") to holders of record of Paramount's Common Shares on January 9, 2017. The decrease in the fair value of the 7Gen Shares of $10.5 million between the acquisition date and the date of the dividend, January 16, 2017, was reclassified to net income from accumulated other comprehensive income in respect of the distribution of the 7Gen Shares.

Investments

Paramount holds investments in a number of publicly-traded and private corporations as part of its portfolio of Strategic Investments. These investments, including MEG, were primarily received as consideration for properties sold to the entities. Paramount's investments are summarized as follows:

	Carrying Value		**Market Value (1)**	
As at	**September 30, 2017**	September 30, 2016	**September 30, 2017**	September 30, 2016
Seven Generations	**–**	277.9	**–**	277.9
Trilogy (2)	**–**	46.8	**–**	138.0
MEG	**20.3**	21.9	**20.3**	21.9
Other (3)	**36.2**	28.9	**36.2**	28.9
Total	**56.5**	375.5	**56.5**	466.7

(1) Based on the period-end closing price of publicly traded investments and the book value of remaining investments.
(2) On September 12, 2017, Paramount acquired all of the outstanding Trilogy Shares not already owned by it pursuant to the Trilogy Merger. As a result, no carrying value or market value is shown as at September 30, 2017 as Trilogy is now a wholly-owned subsidiary of Paramount and its results of operations and net assets have been reflected in Paramount's consolidated financial statements.
(3) Includes investments in Blackbird, Marquee, RMP Energy, SOG and other public and private corporations.

CORPORATE

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Interest and financing expense	**(1.9)**	(17.1)	**(2.3)**	(72.2)
Debt extinguishment	**–**	(18.3)	**–**	(18.3)
General and administrative	**(9.1)**	(2.7)	**(17.3)**	(14.7)
Share-based compensation	**(2.0)**	(0.9)	**(5.6)**	(18.8)
Foreign exchange	**(0.5)**	5.5	**(0.7)**	43.9
Interest income	**1.0**	0.3	**4.6**	0.2
Transaction and reorganization costs	**(9.7)**	–	**(14.4)**	–
Gain on Apache Canada Acquisition	**366.1**	–	**366.1**	–
ARO Discount Rate Adjustment	**(223.4)**	–	**(223.4)**	–
Other	**(0.3)**	(0.5)	**(0.7)**	(0.8)
Segment income (loss)	**120.2**	(33.7)	**106.3**	(80.7)

Corporate segment income was $120.2 million in the third quarter of 2017 compared to a loss of $33.7 million in the same period in 2016. The Corporate segment income for the nine months ended September 30, 2017 was $106.3 million compared to a loss of $80.7 million in the same period in 2016. The segment income recorded in 2017 is primarily due to non-recurring amounts related to the Apache Canada Acquisition.

The $366.1 million gain recognized in respect of the Apache Canada Acquisition is substantially attributable to the undiscounted nature of the deferred tax asset recognized in the purchase allocation. Asset retirement obligations in respect of Apache Canada and Trilogy were initially recognized based on a credit adjusted discount rate and subsequently re-measured in accordance with Paramount's accounting policy to reflect the discounting of such amounts using a risk-free discount rate (the "ARO Discount Rate Adjustment"). The ARO Discount Rate Adjustment resulted in a increase to the carrying value of property, plant and equipment, except for properties with a nil carrying value, where the corresponding amount related to the ARO Discount Rate Adjustment was recorded as a charge to net income. As a result of the ARO Discount Rate Adjustment, a charge of $223.4 million was recorded in net income for the three and nine months ended September 30, 2017.

Interest and financing expense was $2.3 million for the nine months ended September 30, 2017, a decrease of $69.9 million from the same period in 2016, as a result of lower debt balances. Interest income of $4.6 million was earned for the nine months ended September 30, 2017 on cash and cash equivalents balances.

General and administrative expenses were higher in 2017 primarily as a result of the impact of the Apache Canada Acquisition. Share-based compensation expense in 2016 included $13.8 million related to options cancelled in the second quarter of 2016.

The foreign exchange gain for the nine months ended September 30, 2016 mainly related to the US$450 million aggregate principal amount of senior unsecured notes due 2023, which were outstanding until August 2016. Transaction and reorganization costs in 2017 relate to costs incurred in respect of the Apache Canada Acquisition and the Trilogy Merger.

EXPLORATION AND CAPITAL EXPENDITURES

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Geological and geophysical	**2.0**	1.0	**3.7**	2.9
Drilling, completion and tie-ins	**98.6**	45.5	**326.4**	80.2
Facilities and gathering	**21.4**	0.1	**50.8**	9.8
Principal Properties Capital (1)	**122.0**	46.6	**380.9**	92.9
Land and property acquisitions	**4.2**	0.1	**7.3**	10.9
Principal Properties including land & property acquisitions	**126.2**	46.7	**388.2**	103.8
Strategic Investments	**0.3**	1.6	**1.7**	21.5
Corporate	**0.4**	0.3	**0.9**	0.8
	126.9	48.6	**390.8**	126.1

(1) Principal Properties Capital includes capital expenditures and geological and geophysical costs related to the Company's Principal Properties, excluding land and property acquisitions.

Principal Properties Capital was $122.0 million in the third quarter of 2017 compared to $46.6 million in the same period in 2016, including $16.4 million related to Apache Canada and $5.3 million related to Trilogy. Principal Properties Capital was $380.9 million for the nine months ended September 30, 2017 compared to $92.9 million for the nine months ended September 30, 2016.

Expenditures in 2017 were mainly related to drilling and completion programs at Karr-Gold Creek, Resthaven and Birch and the 6-18 compression and dehydration facility (the "06-18 Facility") expansion at Karr-Gold Creek.

Development activities in 2017 have been mainly focused on the Karr Program and the expansion of the 06-18 Facility. All 27(27.0 net) wells from the Karr Program have been drilled and 21 of the wells have been completed and brought on production. The remaining six wells in the Karr Program are expected to be completed by the end of 2017. In April 2017, Paramount completed the expansion of the 06-18 Facility, doubling its capacity to 80 MMcf/d. The total cost of the expansion was approximately $40 million.

At Resthaven, the 2016/17 program includes five (4.5 net) Cretaceous wells and one (1.0 net) Montney well. Because of the exploratory nature of this program, drilling operations took longer than planned, resulting in approximately $10 million of additional drilling costs. The Company has completed the Montney well, drilled in the northern portion of the Resthaven property, and brought it on production. This Montney well was completed with a similar design to the Karr Program wells and the Company is currently evaluating initial production results.

At the Kaybob South Duvernay property, the Company completed a new six (3.1 net) well pad that had been drilled by Apache Canada prior to the closing of the Apache Canada Acquisition and brought it on production.

At the non-operated Birch property in northeast British Columbia drilling operations have concluded for the year, with ten (5.0 net) Montney wells being rig released. Five of the wells have been completed and brought on production and two are in the process of being completed. All of the wells are expected to be completed by the end of the year, except for one well which was drilled for land retention. The expansion of the Birch compression and dehydration facility to 40 MMcf/d (20 MMcf/d net) was completed in the third quarter of 2017.

Paramount expects capital expenditures in the fourth quarter of 2017 to total approximately $130 million, resulting in full-year Principal Properties Capital expenditures for 2017 of approximately $510 million. The Company has increased planned spending for 2017 by approximately $40 million to accelerate the completion of the 02-01 five-well Montney pad at Karr-Gold Creek, which was originally scheduled to be completed in 2018. Approximately 50 percent of the $130 million of capital expenditures the Company expects to incur in the fourth quarter of 2017 are related to the planned 2018 development program and include lease construction, drilling operations and ordering of long-lead items.

Capital expenditures for 2018 are expected to be approximately $600 million including maintenance, optimization and exploration expenses, excluding acquisitions or divestitures. In addition, the Company intends to spend approximately $28 million on abandonment and suspension activities in 2018.

Wells drilled were as follows:

	Three months ended September 30				Nine months ended September 30			
	2017		2016		2017		2016	
	Gross (1)	Net (2)	Gross (1)	Net (2)	Gross (1)	Net (2)	Gross (1)	Net (2)
Natural gas	5	3	2	2	33	28	3	3
Total	5	3	2	2	33	28	3	3

(1) Gross is the number of wells in which Paramount has a working interest or a royalty interest that may be converted to a working interest. Excludes wells drilled on lands associated with the Musreau Assets.

(2) Net is the aggregate number of wells obtained by multiplying each gross well by Paramount's percentage of working interest. Excludes wells drilled on lands associated with the Musreau Assets.

LIQUIDITY AND CAPITAL RESOURCES

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

Net Debt (Cash) (1)

	September 30, 2017	December 31, 2016	September 30, 2016
Cash and cash equivalents	(91.1)	(621.9)	(313.4)
Accounts receivable	(123.6)	(23.9)	(430.2)
Prepaid expenses and other	(10.7)	(1.7)	(3.1)
Accounts payable and accrued liabilities	266.6	81.6	74.8
Adjusted working capital deficit (surplus) (2)	41.2	(565.9)	(671.9)
Paramount Facility	60.0	–	–
Trilogy Facility	156.3	–	–
Trilogy 2019 Senior Notes	306.8	–	286.6
Net Debt (Cash)	564.3	(565.9)	(385.3)

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

(2) Adjusted working capital excludes risk management assets and liabilities, investments in securities for distribution and related dividend payable (December 31, 2016 - $119.0 million) and the current portion of asset retirement obligations.

The change in net debt (cash) from December 31, 2016 to September 30, 2017 is primarily due to the payment of the purchase price for the Apache Canada Acquisition, capital expenditures, the assumption of Trilogy's 7¼ percent senior unsecured notes due December 2019 (the "Trilogy 2019 Senior Notes") and amounts drawn on Trilogy's bank credit facility, partially offset by proceeds from sales of oil and gas assets and funds flow from operations. Paramount expects to fund its operations, obligations and capital expenditures for the remainder of 2017 with funds flow from operations and available capacity under its bank credit facility.

Trilogy Facility

As of September 30, 2017, Trilogy had a $285 million senior secured revolving credit facility with a syndicate of Canadian banks (the "Trilogy Facility"). The Trilogy Facility was secured by a charge over the assets of Trilogy.

In November 2017, the Trilogy Facility was repaid in full and cancelled.

Paramount Facility

In November 2017, Paramount's senior secured revolving bank credit facility was increased to $700 million and was changed from a reserves-based structure to a financial covenant-based structure (the "Paramount Facility"). In addition, the tenure of the Paramount Facility was changed from a "one plus one" extendible facility to a "four year" extendible facility.

The maturity date of the Paramount Facility is currently November 6, 2021, which may be extended from time-to-time at the option of Paramount and with the agreement of the lenders. At Paramount's request, the size of the Paramount Facility may be further increased by up to $300 million pursuant to an accordion feature in the facility, subject to securing incremental lender commitments.

Borrowings under the Paramount Facility bear interest at the lenders' prime lending rate, US base rate, bankers' acceptance rates, or LIBOR rates, as selected at the discretion of the Company, plus an applicable margin which is dependent upon the Company's Senior Secured Debt to Consolidated EBITDA ratio. The Paramount Facility is secured by a charge over substantially all of the assets of Paramount, excluding the assets of Cavalier and Fox Drilling. The assets of Trilogy are also excluded from the security on an interim basis until not later than March 2, 2018.

Paramount is subject to the following two financial covenants under the Paramount Facility, tested at the end of each fiscal quarter:

i. Senior Secured Debt to Consolidated EBITDA to be 3.00 to 1.00 or less (or 3.50 to 1.00 or less for two fiscal quarters after completion of a material acquisition); and
ii. Consolidated EBITDA to Consolidated Interest Expense to be 2.50 to 1.00 or greater.

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

Consolidated EBITDA is determined on a trailing twelve month basis, is adjusted for material acquisitions and dispositions, and is generally calculated as net income before Consolidated Interest Expense, taxes, depletion, depreciation, amortization, impairment and exploration and evaluation expense and is also adjusted to exclude non-recurring items and other non-cash items including unrealized mark-to-market amounts on derivatives, unrealized foreign exchange, share-based compensation expense and accretion.

Consolidated Interest Expense is reduced by any interest income and other customary exclusions and is calculated on a trailing twelve month basis.

Paramount is in compliance with the covenants under the Paramount Facility.

At November 6, 2017, following repayment of the Trilogy Facility, $315.0 million was drawn on the Paramount Facility. Paramount had undrawn letters of credit outstanding totaling $34.7 million at November 6, 2017 that reduce the amount available to be drawn on the facility.

Trilogy 2019 Senior Notes

Trilogy has outstanding $300 million principal amount of senior unsecured notes due 2019. The Trilogy 2019 Senior Notes bear interest at 7¼ percent per annum, payable semi-annually in arrears on June 13 and December 13 of each year, and mature on December 13, 2019.

The Trilogy 2019 Senior Notes are direct senior unsecured obligations of Trilogy. The Trilogy 2019 Senior Notes are redeemable in whole or in part at par, plus accrued and unpaid interest to the date of redemption, plus a redemption premium, if applicable, which varies based on the date of redemption.

At September 30, 2017, the Trilogy 2019 Senior Notes had a market value of 102.0 percent of their principal amount. The market value of the Trilogy 2019 Senior Notes were estimated using a market approach based on prices quoted from financial institutions, which are level two fair value hierarchy inputs.

Shareholders' Equity

	September 30, 2017	December 31, 2016
Share capital	2,248.6	1,639.5
Retained earnings (accumulated deficit)	156.5	(152.2)
Reserves	141.6	147.5
Total shareholders' equity	2,546.7	1,634.8

Share Capital

In September 2017, Paramount issued 28,537,134 Common Shares pursuant to the Trilogy Merger.

On October 13, 2016, Paramount implemented a normal course issuer bid ("NCIB") under which the Company could purchase up to 5,441,602 Common Shares for cancellation. In 2016, the Company purchased and cancelled 622,900 Common Shares at a total cost of $9.7 million under the NCIB. The NCIB expired on October 12, 2017.

At November 6, 2017, Paramount had 134,937,241 Common Shares outstanding and 5,747,740 options to acquire Common Shares outstanding, of which 948,360 options are exercisable.

QUARTERLY INFORMATION

	2017			2016				2015
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Petroleum and natural gas sales	116.5	61.3	54.7	32.3	51.7	73.6	91.2	91.3
Net income (loss)	223.5	45.3	20.7	212.4	1,029.4	(30.6)	(46.0)	(599.0)
Per share – basic ($/share)	*1.99*	*0.43*	*0.20*	*2.01*	*9.69*	*(0.29)*	*(0.43)*	*(5.64)*
Per share – diluted ($/share)	*1.97*	*0.42*	*0.19*	*1.99*	*9.64*	*(0.29)*	*(0.43)*	*(5.64)*
Funds flow from operations	45.3	35.2	28.0	14.3	3.8	(4.9)	22.4	21.0
Per share – basic ($/share)	*0.40*	*0.33*	*0.26*	*0.14*	*0.04*	*(0.05)*	*0.21*	*0.20*
Per share – diluted ($/share)	*0.40*	*0.33*	*0.26*	*0.13*	*0.04*	*(0.05)*	*0.21*	*0.20*
Sales volumes								
Natural gas (MMcf/d)	177.2	53.0	51.4	47.5	88.6	129.8	153.9	157.8
Condensate and oil (Bbl/d)	14,845	8,118	6,348	2,943	5,335	9,490	13,245	9,991
Other NGLs (Bbl/d)	4,641	1,414	1,255	1,046	4,687	9,764	11,259	9,175
Total (Boe/d)	49,023	18,367	16,163	11,901	24,786	40,890	50,161	45,466
Average realized price								
Natural gas ($/Mcf)	1.89	3.24	3.55	3.10	2.65	1.49	2.09	2.57
Condensate and oil ($/Bbl)	54.30	57.95	61.75	60.49	51.15	52.83	42.28	46.60
Other NGLs ($/Bbl)	23.05	20.09	23.69	22.16	11.11	11.19	10.31	12.59
Total ($/Boe)	25.84	36.69	37.61	29.52	22.66	19.79	19.98	21.82

Significant Items Impacting Quarterly Results

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

- Third quarter 2017 earnings include a $366.1 million gain related to the Apache Canada Acquisition, a $223.4 million charge related to the ARO Discount Rate Adjustment and a $61.8 million gain related to a fair value adjustment in respect of the Trilogy Shares held prior to the Trilogy Merger.
- Second quarter 2017 earnings include an $80.9 million gain on the sale of oil and gas assets primarily related to the sale of the Valhalla Assets.
- First quarter 2017 earnings include a $42.1 million reversal of impairments of oil and gas assets recorded in prior years related to the Valhalla Assets and a $10.5 million loss on the distribution of 3.8 million 7Gen Shares to Paramount shareholders by way of dividend.
- Fourth quarter 2016 earnings include a $133.2 million reversal of impairments of oil and gas assets recorded in prior years, a $99.2 million gain recorded in respect of the royalty granted by Cavalier and the recognition of $61.0 million of previously unrecognized deferred tax assets.
- Third quarter 2016 earnings include the impact of the sale of the Musreau Assets, including a $1.2 billion gain on sale, lower depletion and depreciation expense, higher income tax expense and lower netback.
- Second quarter 2016 earnings include a $131.8 million gain on the sale of oil and gas assets primarily in respect of the sale of the Musreau Complex, partially offset by $17.7 million of share-based compensation expense.
- First quarter 2016 earnings include a foreign exchange gain of $40.3 million and a $13.7 million gain on commodity contracts.

- Fourth quarter 2015 earnings include $241.5 million of aggregate impairment write-downs of property, plant and equipment, $184.1 million of impairment write-offs of exploration and evaluation assets and deferred tax expense of $66.3 million.

OTHER INFORMATION

Contractual Obligations

Paramount had the following contractual obligations at September 30, 2017:

	Within 1 year	After one year but not more than three years	After three years but not more than five years	More than five years	Total
Paramount Facility (1)	–	60.0	–	–	60.0
Trilogy Facility (1)	–	156.3	–	–	156.3
Trilogy 2019 Senior Notes (2)	21.7	327.2	–	–	348.9
Transportation and processing commitments (3)	127.6	266.6	329.4	615.5	1,339.1
Asset retirement obligations (4)	25.2	82.4	86.2	1,554.2	1,748.0
Operating leases and other (5)	17.2	24.7	6.7	0.6	49.2
	191.7	**917.2**	**422.3**	**2,170.3**	**3,701.5**

(1) Excluding interest.
(2) Including interest.
(3) Certain of the transportation and processing commitments are secured by outstanding letters of credit totaling $22 million at September 30, 2017 (December 31, 2016 - $5.1 million).
(4) Asset retirement obligations estimated as at September 30, 2017. Estimated costs and timing of settlement are revised from time-to-time based on new information.
(5) Future lease commitments for corporate office space have been reduced by sublease revenue and a market rate adjustment provision recognized in ACL's purchase price allocation.

Transportation and processing commitments mainly relate to long-term firm service arrangements for the processing of natural gas and the transportation of natural gas and Liquids.

Contingencies

In the normal course of Paramount's operations, the Company may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and as a result, could have a material adverse effect on the Company. Even if Paramount prevails in any such legal proceedings, they could be costly and time-consuming and divert the attention of management and key personnel from the Company's core business operations.

Tax and royalty legislation and regulations, and government interpretation and administration thereof, continually changes. As a result, there are often tax and royalty matters under review by relevant government authorities. All tax and royalty filings are subject to subsequent government audit and potential reassessments. Accordingly, the final amounts may differ materially from amounts estimated and recorded.

In 2016, a release occurred from a non-operated pipeline in which the Company owns a 50 percent interest. The operator, and owner of the remaining 50 percent, has initiated response, containment and remediation activities ("Response Activities"). Total costs to complete the Response Activities are estimated at approximately $60 million. It is Paramount's assessment that it is not responsible for the costs of the Response Activities and as a result, no provision has been recorded in the Company's financial statements.

CHANGE IN ACCOUNTING POLICIES

There were no new or amended accounting standards adopted by the Company for the nine months ended September 30, 2017. A description of accounting standards that will be effective in the future is included in the notes to the Company's audited Consolidated Financial Statements as at and for the year ended December 31, 2016.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no significant changes to the Company's internal control over financial reporting ("ICFR") during the period beginning on July 1, 2017 and ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Paramount closed the Apache Canada Acquisition on August 16, 2017 and the Trilogy Merger on September 12, 2017. Management has limited the scope of their design of disclosure controls and procedures ("DC&P") and ICFR to exclude the controls, policies and procedures of Apache Canada and Trilogy, pursuant to Section 3.3(1)(b) of National Instrument 52-109. Amounts in respect of Apache Canada and Trilogy included in Paramount's interim consolidated financial statements as at and for the three and nine months ended September 30, 3017 are as follows:

	Apache Canada	Trilogy
Revenue	31.7	9.9
Current Assets	86.4	33.6
Total Assets	2,063.7	1,553.4
Current Liabilities	86.8	66.9
Total Liabilities	1,388.3	848.2

Management is currently evaluating and integrating Apache Canada's and Trilogy's controls, policies and procedures with Paramount's DC&P and ICFR and expects to complete the integration in 2018.

ADVISORIES

Forward-looking Information

Certain statements in this document constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "estimate", "will", "expect", "plan", "schedule", "intend", "propose", or similar words suggesting future outcomes or an outlook. Forward-looking information in this document includes, but is not limited to:

- projected production and sales volumes (including the Liquids component thereof);
- forecast capital expenditures, royalties, operating costs, abandonment and suspension costs, and transportation costs;
- exploration, development, and associated operational plans and strategies (including planned drilling and completion programs, well tie-ins, and facility expansions, and the anticipated timing thereof) and the Company's anticipated sources of funds to carry out such plans and strategies; and
- general business strategies and objectives.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect. Assumptions have been made with respect to the following matters, in addition to any other assumptions identified in this document:

- future natural gas and Liquids prices;
- 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, de-ethanization, fractionation, and storage capacity on acceptable terms;
- 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; and
- anticipated timelines and budgets being met in respect of drilling programs and other operations (including well completions and tie-ins and the construction, commissioning and start-up of new and expanded facilities).

Although Paramount believes that the expectations reflected in such forward-looking information is reasonable, undue reliance should not be placed on them 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 natural gas and Liquids prices;
- changes in foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future revenue, future 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, de-ethanization, fractionation, and storage capacity on acceptable terms;
- operational risks in exploring for, developing and producing, natural gas and Liquids;
- 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, de-ethanization, and fractionation infrastructure outages, disruptions and constraints;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves and resources 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, de-ethanization, fractionation and similar commitments and obligations);
- changes in, or in the interpretation of, laws, regulations or policies (including environmental laws);
- the ability to obtain required governmental or regulatory approvals in a timely manner, and to enter into and maintain leases and licenses;
- the effects of weather;

- 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 section titled "RISK FACTORS" in Paramount's current annual information form. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, Paramount undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

Non-GAAP Measures

In this document "Funds flow from operations", "Netback", "Net Debt (Cash)", "Adjusted working capital", "Exploration and Capital Expenditures", "Principal Properties Capital" and "Investments in other entities – market value", collectively the "Non-GAAP Measures", are used and do not have any standardized meanings as prescribed by IFRS.

Funds flow from operations refers to cash from (used in) operating activities before net changes in operating non-cash working capital, geological and geophysical expenses, asset retirement obligation settlements and transaction and reorganization costs. Funds flow from operations is commonly used in the oil and gas industry to assist management and investors in measuring the Company's ability to fund capital programs and meet financial obligations. Refer to the Consolidated Results section of the Company's Management's Discussion and Analysis for the calculation thereof. **Netback** equals petroleum and natural gas sales less royalties, operating costs and transportation and NGLs processing costs. Netback is commonly used by management and investors to compare the results of the Company's oil and gas operations between periods. Refer to the Principal Properties section of the Company's Management's Discussion and Analysis for the calculation thereof. **Net Debt (Cash)** is a measure of the Company's overall debt position after adjusting for certain working capital and other amounts and is used by management to assess the Company's overall leverage position. Refer to the Liquidity and Capital Resources section of the Company's Management's Discussion and Analysis for the calculation of Net Debt (Cash) and **Adjusted working capital**. **Exploration and capital expenditures** consist of the Company's spending on wells and infrastructure projects, other property, plant and equipment, land and property acquisitions and geological and geophysical costs incurred. The closest GAAP measure to exploration and development expenditures is property, plant and equipment and exploration cash flows under investing activities in the Company's Consolidated Statement of Cash Flows, which includes all of the items included in exploration and capital expenditures, except for geological and geophysical costs, which are expensed as incurred. **Principal Properties Capital** includes capital expenditures and geological and geophysical costs related to the Company's Principal Properties business segment, and excludes land acquisitions. The Principal Properties Capital measure provides management and investors with information regarding the Company's Principal Properties spending on wells and infrastructure projects separate from land acquisition activity and capitalized interest. The following is the calculation of exploration and capital expenditures and Principal Properties for the periods:

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Property, plant and equipment and exploration (consolidated statement of cash flows)	124.7	46.9	386.3	122.2
Geological and geophysical	2.2	1.7	4.5	3.9
Exploration and Capital Expenditures	126.9	48.6	390.8	126.1
Land and property acquisitions	(4.2)	(0.1)	(7.3)	(10.9)
Strategic Investments	(0.3)	(1.6)	(1.7)	(21.5)
Corporate	(0.4)	(0.3)	(0.9)	(0.8)
Principal Properties Capital	122.0	46.6	380.9	92.9

Investments in other entities – market value reflects the Company's investments in enterprises whose securities trade on a public stock exchange at their period end closing price (e.g. MEG, Blackbird, Marquee, RMP, SOG, Trilogy (2016) and others), and investments in all other entities at book value. Paramount provides this information because the market values of equity-accounted investments, which are significant assets of the Company, are often materially different than their carrying values. Refer to the Strategic Investments section of the Company's Management's Discussion and Analysis and Interim Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2017 and September 30, 2016 for information on carrying and market values.

The Non-GAAP Measures should not be considered in isolation or construed as alternatives to their most directly comparable measure calculated in accordance with GAAP, or other measures of financial performance calculated in accordance with GAAP. The Non-GAAP Measures are unlikely to be comparable to similar measures presented by other issuers.

Oil and Gas Measures and Definitions

The term "Liquids" means oil, condensate and Other NGLs (ethane, propane and butane).

Abbreviations

Liquids	
Bbl	Barrels
Bbl/d	Barrels per day
NGLs	Natural gas liquids
Condensate	Pentane and heavier hydrocarbons

Natural Gas	
Mcf	Thousands of cubic feet
MMcf/d	Millions of cubic feet per day
GJ	Gigajoule
MMbtu	Millions of British thermal units

Oil Equivalent	
Boe	Barrels of oil equivalent
Boe/d	Barrels of oil equivalent 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. 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, 2017, 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.