Paramount resources ltd.

Interim Condensed Consolidated Financial Statements (Unaudited)
For the three and six months ended June 30, 2025

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

($ millions)

As at	Note	June 30 2025	December 31 2024
ASSETS			
Current assets			
Cash and cash equivalents	14	561.8	2.4
Accounts receivable		113.8	192.6
Risk management – current	11	34.5	8.3
Prepaid expenses and other		15.2	17.4
Assets held for sale	3	–	1,903.2
		725.3	2,123.9
Investments in securities	4	575.3	563.9
Risk management – long-term	11	4.5	1.2
Exploration and evaluation	2	449.5	427.1
Property, plant and equipment, net	3	1,763.3	1,509.9
Deferred income tax	10	–	131.5
		3,517.9	4,757.5
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		189.9	227.0
Risk management – current	11	1.5	0.7
Asset retirement obligations and other – current	6	39.9	30.1
Liabilities associated with assets held for sale	3	–	287.1
		231.3	544.9
Long-term debt	5	–	173.0
Risk management – long-term	11	4.4	4.5
Asset retirement obligations and other – long-term	6	346.0	339.8
Deferred income tax	10	257.7	–
		839.4	1,062.2
Commitments and contingencies	16		
Shareholders' equity			
Share capital	7	514.1	2,323.3
Retained earnings		1,549.1	766.7
Reserves	8	615.3	605.3
		2,678.5	3,695.3
		3,517.9	4,757.5

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

($ millions, except as noted)

	Note	Three months ended June 30 2025	Three months ended June 30 2024	Six months ended June 30 2025	Six months ended June 30 2024
Petroleum and natural gas sales		127.2	443.6	393.8	896.0
Royalties		(5.7)	(66.1)	(32.4)	(128.0)
Sales of commodities purchased		43.7	84.4	153.4	139.1
Revenue	12	165.2	461.9	514.8	907.1
Gain on risk management contracts	11	33.8	36.0	42.7	24.7
		199.0	497.9	557.5	931.8
Expenses					
Operating expense		35.7	115.7	103.5	234.5
Transportation and NGLs processing		13.2	31.3	33.6	63.2
Commodities purchased		43.4	82.4	150.5	135.8
General and administrative		13.9	10.5	28.0	25.0
Share-based compensation	9	3.2	5.8	21.7	13.3
Depletion and depreciation	3	61.7	140.3	114.8	255.1
Exploration and evaluation	2	6.7	2.9	8.5	7.6
Loss (gain) on sale of oil and gas assets	3	15.3	(0.3)	(1,603.8)	(15.9)
Interest and financing		1.3	1.5	3.9	3.1
Accretion of asset retirement obligations	6	6.0	10.7	13.1	21.2
Transaction and reorganization costs	9	0.7	–	24.3	–
Other	13	(6.7)	(9.3)	(16.8)	(9.8)
		194.4	391.5	(1,118.7)	733.1
Income before tax		4.6	106.4	1,676.2	198.7
Income tax expense					
Deferred	10	0.4	21.9	383.3	46.0
		0.4	21.9	383.3	46.0
Net income		4.2	84.5	1,292.9	152.7
Other comprehensive income (loss), net of tax	8				
Items that will be reclassified to net income					
Change in fair value of cash flow hedges, net of tax		6.5	(0.8)	0.5	(2.0)
Reclassification to net income, net of tax		0.7	0.3	1.4	(0.2)
Items that will not be reclassified to net income					
Change in fair value of securities, net of tax	4	46.4	76.2	40.0	104.6
Comprehensive income		57.8	160.2	1,334.8	255.1
Net income per common share ($/share)	7				
Basic		0.03	0.58	8.98	1.05
Diluted		0.03	0.57	8.82	1.02

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

($ millions)

	Note	Three months ended June 30 2025	Three months ended June 30 2024	Six months ended June 30 2025	Six months ended June 30 2024
Operating activities					
Net income		**4.2**	84.5	**1,292.9**	152.7
Add (deduct):					
Items not involving cash	14	**70.2**	178.9	**(1,094.5)**	332.1
Asset retirement obligations settled	6	**(3.0)**	(2.3)	**(25.2)**	(18.8)
Change in non-cash working capital		**(31.6)**	(40.6)	**16.5**	(44.1)
Cash from operating activities		**39.8**	220.5	**189.7**	421.9
Financing activities					
Net repayment of revolving long-term debt	5	**–**	–	**(173.6)**	–
Lease liabilities – principal repayments	6	**(1.1)**	(0.9)	**(2.1)**	(2.0)
Dividends and distributions	7	**(20.7)**	(62.1)	**(2,205.5)**	(116.2)
Common Shares issued, net of issue costs	7	**1.3**	10.6	**9.9**	18.7
Common Shares purchased under NCIB	7	**–**	–	**(157.1)**	–
RSU plan	9	**(31.5)**	(14.9)	**(34.8)**	(15.3)
Change in non-cash working capital		**–**	–	**2.4**	–
Cash used in financing activities		**(52.0)**	(67.3)	**(2,560.8)**	(114.8)
Investing activities					
Capital expenditures	2,3	**(157.6)**	(240.8)	**(373.3)**	(454.7)
Land and property acquisitions	2,3	**(0.6)**	(2.4)	**(3.8)**	(3.0)
Proceeds of disposition	2,3,4	**(19.1)**	75.0	**3,270.1**	127.2
Change in non-cash working capital		**(90.6)**	(4.5)	**37.9**	11.8
Cash (used in) from investing activities		**(267.9)**	(172.7)	**2,930.9**	(318.7)
Net (decrease) increase		**(280.1)**	(19.5)	**559.8**	(11.6)
Foreign exchange on cash and cash equivalents		**(1.0)**	0.3	**(0.4)**	0.6
Cash and cash equivalents, beginning of period		**842.9**	57.1	**2.4**	48.9
Cash and cash equivalents, end of period		**561.8**	37.9	**561.8**	37.9

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

Supplemental cash flow information 14

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

($ millions, except as noted)

Six months ended June 30	Note	2025		2024	
		Shares (millions)		*Shares (millions)*	
Share capital					
Balance, beginning of period		***146.9***	**2,323.3**	*144.2*	2,302.0
Issued on exercise of Paramount Options	7,9	***1.2***	**13.7**	*2.3*	24.6
Common Shares purchased & cancelled under NCIB	7	***(4.9)***	**(111.1)**	–	–
Change in Common Shares for RSU plan	9	***0.1***	**6.9**	*0.2*	(2.8)
Return of capital distribution	7	**–**	**(1,718.7)**	–	–
Balance, end of period		***143.3***	**514.1**	*146.7*	2,323.8
Retained earnings					
Balance, beginning of period			**766.7**		632.4
Net income			**1,292.9**		152.7
Dividends	7		**(486.8)**		(116.2)
Common Shares purchased & cancelled under NCIB	7		**(46.0)**		–
Reclassification of accumulated gain on securities	4		**22.3**		57.7
Balance, end of period			**1,549.1**		726.6
Reserves	8				
Balance, beginning of period			**605.3**		564.8
Other comprehensive income			**41.9**		102.4
Contributed surplus			**(9.6)**		5.1
Reclassification of accumulated gain on securities	4		**(22.3)**		(57.7)
Balance, end of period			**615.3**		614.6
Shareholders' equity			**2,678.5**		3,665.0

See the accompanying notes to these Interim Condensed Consolidated Financial Statements

1. Basis of Presentation

Paramount Resources Ltd. ("Paramount" or the "Company") 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. The Company also pursues longer-term strategic exploration and pre-development plays and holds a portfolio of investments in other entities. Paramount's principal properties are located in Alberta and British Columbia.

Paramount is the ultimate parent company of a consolidated group of companies and is incorporated and domiciled in Canada. The address of the Company's registered office is Suite 4700, 888 – 3rd Street SW, Calgary, Alberta T2P 5C5. The consolidated group includes wholly-owned subsidiaries Fox Drilling Limited Partnership and MGM Energy. The financial statements of Paramount's subsidiaries and partnerships are prepared for the same reporting periods as the parent in accordance with the Company's accounting policies. Intercompany balances and transactions have been eliminated.

These unaudited interim condensed consolidated financial statements of the Company, as at and for the three and six months ended June 30, 2025 (the "Interim Financial Statements"), were authorized for issuance by the Audit Committee of Paramount's Board of Directors on July 29, 2025.

These Interim Financial Statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* on a basis consistent with the accounting, estimation and valuation policies described in the Company's audited consolidated financial statements as at and for the year ended December 31, 2024 (the "Annual Financial Statements").

These Interim Financial Statements are stated in millions of Canadian dollars, unless otherwise noted, and have been prepared on a historical cost basis, except for certain financial instruments which are stated at fair value. All references to "$" are to Canadian dollars and all references to "US$" are to United States dollars. Certain information and disclosures normally required to be included in the notes to the Annual Financial Statements have been condensed or omitted. These Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

2. Exploration and Evaluation

	Six months ended June 30, 2025	**Twelve months ended December 31, 2024**
Balance, beginning of period	**427.1**	546.6
Additions	**21.9**	15.7
Acquisitions	**1.9**	14.0
Change in asset retirement provision	**–**	1.2
Transfers to property, plant and equipment	**(0.9)**	(16.2)
Expired lease costs	**(0.3)**	(14.6)
Dispositions	**(0.2)**	(12.5)
Transfer to assets held for sale (see Note 3)	**–**	(107.1)
Balance, end of period	**449.5**	427.1

(Tabular amounts stated in $ millions, except as noted)

Exploration and Evaluation Expense

	Three months ended June 30		Six months ended June 30	
	2025	**2024**	**2025**	**2024**
Geological and geophysical expense	**6.4**	2.8	**8.2**	7.5
Expired lease costs	**0.3**	0.1	**0.3**	0.1
	6.7	2.9	**8.5**	7.6

At June 30, 2025, the Company assessed its exploration and evaluation assets for indicators of potential impairment or impairment reversal and none were identified.

3. Property, Plant and Equipment

Six months ended June 30, 2025	Petroleum and natural gas assets	Drilling rigs	Right-of-use assets	Other	Total
Cost					
Balance, beginning of period	2,744.6	175.2	29.5	63.4	**3,012.7**
Additions	348.6	4.7	0.7	1.1	**355.1**
Acquisitions	13.3	–	–	–	**13.3**
Transfers	0.9	–	–	–	**0.9**
Dispositions	(17.6)	–	(0.4)	–	**(18.0)**
Derecognition	–	–	(0.7)	–	**(0.7)**
Change in asset retirement provision	16.1	–	–	–	**16.1**
Cost, end of period	3,105.9	179.9	29.1	64.5	**3,379.4**
Accumulated depletion and depreciation					
Balance, beginning of period	(1,357.5)	(98.4)	(9.7)	(37.2)	**(1,502.8)**
Depletion and depreciation	(103.8)	(5.7)	(2.1)	(2.5)	**(114.1)**
Dispositions	(0.3)	–	0.4	–	**0.1**
Derecognition	–	–	0.7	–	**0.7**
Accumulated depletion and depreciation, end of period	(1,461.6)	(104.1)	(10.7)	(39.7)	**(1,616.1)**
Net book value, December 31, 2024	1,387.1	76.8	19.8	26.2	**1,509.9**
Net book value, June 30, 2025	1,644.3	75.8	18.4	24.8	**1,763.3**

The Company closed the sale of its Karr, Wapiti and Zama properties (the "Sold Assets") on January 31, 2025 (the "Grande Prairie Disposition"). Pursuant to the purchase and sale agreement for the Grande Prairie Disposition, consideration for the Sold Assets was $3.325 billion cash, subject to adjustments based on an effective date of October 1, 2024, plus certain Horn River Basin properties of the acquiror (the "Purchase Price"). Paramount's calculation of final adjustments was completed in the second quarter of 2025, resulting in a Purchase Price of $3.244 billion and a gain on sale of oil and gas assets of $1.594 billion being recorded in respect of the Grande Prairie Disposition for the six months ended June 30, 2025. $12.0 million of the loss on sale of oil and gas assets recorded in the second quarter of 2025 relates to finalization of adjustments to the Purchase Price.

The Grande Prairie Disposition was made pursuant to a purchase and sale agreement dated November 13, 2024 and, as a result, the assets and liabilities associated with the Grande Prairie Disposition were presented as held for sale at December 31, 2024.

(Tabular amounts stated in $ millions, except as noted)

In February 2024, Paramount sold certain non-core Kaybob assets for $45.4 million cash and the retention of a two percent no-deduction gross overriding royalty on the undeveloped Montney acreage forming part of the assets. The Company realized a $14.3 million gain on sale of oil and gas assets in 2024 in connection with the transaction.

Depletion and Depreciation

	Three months ended June 30		Six months ended June 30	
	2025	**2024**	**2025**	**2024**
Depletion and depreciation	**59.8**	111.6	**111.1**	222.9
Change in asset retirement obligations	**1.9**	28.7	**3.7**	32.2
	61.7	140.3	**114.8**	255.1

For the six months ended June 30, 2025, the Company recorded a charge of $3.7 million (June 30, 2024 – $32.2 million) to earnings related to changes in the discounted carrying value of estimated asset retirement obligations in respect of properties that had a nil carrying value ascribed to property, plant and equipment. For the three and six months ended June 30, 2024, the changes mainly resulted from a reduction in the credit-adjusted risk-free rate used to discount obligations from 7.75 percent per annum to 7.0 percent per annum.

At June 30, 2025, the Company assessed its property, plant and equipment assets for indicators of potential impairment and none were identified.

4. Investments in Securities

As at	June 30, 2025	December 31, 2024
Level One Securities	**473.7**	439.2
Level Three Securities	**101.6**	124.7
	575.3	563.9

Paramount holds investments in a number of publicly-traded and private entities as part of its portfolio of investments. Investments in securities that are listed on a public stock exchange are classified as level one fair value hierarchy securities ("Level One Securities") and carried at their period-end trading price. Investments in securities that are not listed on a public stock exchange are classified as level three fair value hierarchy securities ("Level Three Securities"). Estimates of fair values for these investments are based on valuation techniques that incorporate unobservable inputs.

Level One Securities at June 30, 2025 included 31.3 million shares of NuVista Energy Ltd. ("NuVista Shares") (December 31, 2024 – 31.3 million NuVista Shares), which had a carrying value of $468.2 million (December 31, 2024 – $431.9 million).

During the six months ended June 30, 2024, Paramount sold a portion of its Level One Securities, including 6.0 million NuVista Shares, for aggregate cash proceeds of $79.0 million, resulting in $57.7 million of accumulated gains, net of tax, being reclassified from reserves to retained earnings.

(Tabular amounts stated in $ millions, except as noted)

Level Three Securities at June 30, 2025 included investments in the shares of Sultran Ltd. and other minor investments in securities not listed on a public stock exchange ("Other Investments"). At December 31, 2024, Level Three Securities included investments in the shares of Sultran Ltd., Westbrick Energy Ltd. and Other Investments. During the six months ended June 30, 2025, Paramount sold all of its shares in Westbrick Energy Ltd. for cash consideration of $33.9 million, resulting in $22.3 million of accumulated gains, net of tax, being reclassified from reserves to retained earnings.

For the three and six months ended June 30, 2025, the Company recorded an unrealized before tax gain of $52.5 million and $45.3 million, respectively, to other comprehensive income ("OCI") related to changes in the fair value estimates of its investments in securities.

Changes in the fair value of investments in securities are as follows:

	Six months ended June 30, 2025	Twelve months ended December 31, 2024
Investments in securities, beginning of period	563.9	540.9
Changes in fair value of Level One Securities	34.5	95.0
Changes in fair value of Level Three Securities	10.8	5.9
Changes in fair value of warrants – recorded in earnings	–	(0.1)
Acquired	–	1.2
Proceeds of disposition	(33.9)	(79.0)
Investments in securities, end of period	575.3	563.9

5. Long-Term Debt

As at	June 30, 2025	December 31, 2024
Paramount Facility (1)	–	173.0

(1) December 31, 2024 balance presented net of $0.6 million in unamortized transaction costs.

Paramount Facility

On January 31, 2025, the capacity of Paramount's financial covenant-based senior secured revolving bank credit facility (the "Paramount Facility") was adjusted to $500 million and the maturity date was extended to January 31, 2029 in conjunction with the closing of the Grande Prairie Disposition. The Company repaid all outstanding drawings on the Paramount Facility on January 31, 2025.

At Paramount's request, the capacity of the Paramount Facility can be increased to up to $750 million pursuant to an accordion feature in the facility, subject to incremental lender commitments and the Company achieving average quarterly production of at least 55,000 Boe/d for two consecutive fiscal quarters.

Paramount was in compliance with the financial covenants under the Paramount Facility at June 30, 2025.

The Company had undrawn letters of credit outstanding under the Paramount Facility totaling $4.6 million at June 30, 2025 (December 31, 2024 – $7.5 million) that reduce the amount available to be drawn on the facility.

For additional information concerning the Paramount Facility, refer to Note 8 of the Annual Financial Statements.

(Tabular amounts stated in $ millions, except as noted)

Unsecured Letter of Credit Facility

The Company has a $90 million unsecured demand revolving letter of credit facility (the "LC Facility") with a Canadian bank. Paramount's obligations under the LC Facility are supported by a performance security guarantee from Export Development Canada, which is valid to June 30, 2026. At June 30, 2025, $33.2 million in undrawn letters of credit were outstanding under the LC Facility (December 31, 2024 – $29.4 million).

6. Asset Retirement Obligations and Other

As at June 30, 2025	Current	Long-term	Total
Asset retirement obligations	35.9	322.5	358.4
Lease liabilities	4.0	23.5	27.5
Asset retirement obligations and other	**39.9**	**346.0**	**385.9**

As at December 31, 2024	Current	Long-term	Total
Asset retirement obligations	26.5	314.5	341.0
Lease liabilities	3.6	25.3	28.9
Asset retirement obligations and other	**30.1**	**339.8**	**369.9**

Asset Retirement Obligations

	Six months ended June 30, 2025	Twelve months ended December 31, 2024
Asset retirement obligations, beginning of period	341.0	587.3
Additions	0.6	1.6
Acquisitions	11.3	–
Change in estimates	19.3	2.3
Change in discount rate	–	48.3
Obligations settled	(25.2)	(38.1)
Dispositions	(1.7)	(16.1)
Transfer to liabilities associated with assets held for sale (see Note 3)	–	(286.7)
Accretion expense	13.1	42.4
Asset retirement obligations, end of period	**358.4**	341.0

Asset retirement obligations have been determined using a credit-adjusted risk-free discount rate of 7.0 percent per annum (December 31, 2024 – 7.0 percent per annum) and an inflation rate of 2.0 percent per annum (December 31, 2024 – 2.0 percent per annum).

Lease Liabilities

	Six months ended June 30, 2025	Twelve months ended December 31, 2024
Balance, beginning of period	28.9	29.2
Additions	0.7	3.6
Interest expense	0.9	2.0
Transfer to liabilities associated with assets held for sale (see Note 3)	–	(0.4)
Obligations settled	(3.0)	(5.5)
Balance, end of period	**27.5**	28.9

Paramount has lease liabilities in respect of office space and vehicles, which have been recognized at the discounted value of the remaining fixed lease payments. For the six months ended June 30, 2025, total cash principal payments made in respect of these lease liabilities were $2.1 million (June 30, 2024 – $2.0 million).

For the six months ended June 30, 2025, expenses related to arrangements containing variable operating costs, short-term and low value leases which have not been included in the lease liabilities were $1.3 million (June 30, 2024 – $1.2 million).

7. Share Capital

At June 30, 2025, 143.3 million (December 31, 2024 – 146.9 million) class A common shares of Paramount ("Common Shares") were outstanding, net of 0.3 million (December 31, 2024 – 0.4 million) Common Shares held in trust under the Company's restricted share unit ("RSU") plan.

The Company used a portion of the proceeds from the Grande Prairie Disposition to pay a special cash distribution of $15.00 per Common Share (totaling $2,148 million) in the first quarter of 2025 (the "Special Distribution"), comprised of a $12.00 return of capital (totaling $1,718 million) and a $3.00 special dividend (totaling $430 million).

For the six months ended June 30, 2025, the Company also paid regular monthly cash dividends totaling $0.40 per Common Share or $58.0 million (June 30, 2024 – $0.80 per Common Share or $116.2 million). In July 2025, Paramount declared a cash dividend of $0.05 per Common Share that is payable on July 31, 2025 to shareholders of record on July 15, 2025.

In July 2025, Paramount implemented a normal course issuer bid (the "2025 NCIB") under which the Company may purchase up to 7.5 million Common Shares for cancellation. The 2025 NCIB will terminate on the earlier of July 7, 2026 and the date on which the maximum number of Common Shares that can be acquired pursuant to the 2025 NCIB are purchased. Purchases of Common Shares under the 2025 NCIB will be made through the facilities of the Toronto Stock Exchange or alternative Canadian trading systems at the market price at the time of purchase. The Company has not made any purchases of Common Shares under the 2025 NCIB to date.

Paramount previously implemented a normal course issuer bid in July 2024 (the "2024 NCIB"), which expired on July 7, 2025. In early February 2025, prior to the Special Distribution, Paramount purchased and cancelled 4.9 million Common Shares under the 2024 NCIB at a total cost of $154.7 million. The difference between the total acquisition cost of these Common Shares and their average carrying value was charged to retained earnings. Retained earnings for the six months ended June 30, 2025 was also reduced by $2.4 million in respect of the two percent Canadian federal tax on net share repurchases. The Company purchased and cancelled a total of 5.7 million Common Shares under the 2024 NCIB at a total cost of $177.0 million.

For the six months ended June 30, 2025, Paramount issued 1.2 million Common Shares on the exercise of options to acquire Common Shares ("Paramount Options") (see Note 9).

Net Income Per Common Share – Basic and Diluted

	Three months ended June 30		Six months ended June 30	
	2025	**2024**	**2025**	**2024**
Net income – basic and diluted	**4.2**	84.5	**1,292.9**	152.7
Basic – weighted average Common Shares (millions)	**143.2**	146.1	**144.0**	145.3
Dilutive effect of Paramount Options (millions)	**2.5**	3.4	**2.6**	3.8
Diluted – weighted average Common Shares (millions)	**145.7**	149.5	**146.6**	149.1
Net income per Common Share – basic ($/share)	**0.03**	0.58	**8.98**	1.05
Net income per Common Share – diluted ($/share)	**0.03**	0.57	**8.82**	1.02

Paramount Options are potentially dilutive and are included in the diluted per share calculation when they are dilutive to net income per share.

For the three and six months ended June 30, 2025, 0.5 million and 1.1 million Paramount Options, respectively, were anti-dilutive (three and six months ended June 30, 2024 – 1.2 million and 4.0 million, respectively, were anti-dilutive).

8. Reserves

Six months ended June 30, 2025	**Unrealized gains on cash flow hedges**	**Unrealized gains (losses) on securities**	**Contributed surplus**	**Total reserves**
Balance, beginning of period	0.4	416.4	188.5	**605.3**
Other comprehensive income, before tax	2.5	45.3	–	**47.8**
Deferred tax	(0.6)	(5.3)	–	**(5.9)**
Reclassification of accumulated gain on securities, net of tax (see Note 4)	–	(22.3)	–	**(22.3)**
Share-based compensation	–	–	(5.4)	**(5.4)**
Paramount Options exercised	–	–	(4.2)	**(4.2)**
Balance, end of period	**2.3**	**434.1**	**178.9**	**615.3**

9. Share-Based Compensation

Paramount Options

	Six months ended June 30, 2025		Twelve months ended December 31, 2024	
	Paramount Options (millions)	Weighted average exercise price ($/share)	*Paramount Options (millions)*	Weighted average exercise price ($/share)
Balance, beginning of period	*8.2*	20.52	*11.8*	17.11
Granted	*1.9*	15.80	*0.2*	29.37
Exercised (1)	*(1.2)*	7.39	*(3.4)*	9.05
Surrendered for cash payment	*(0.9)*	4.62	–	–
Reduction in exercise price (2)	–	(12.58)	–	–
Cancelled or forfeited	*(0.4)*	13.52	*(0.3)*	22.72
Expired	–	–	*(0.1)*	31.75
Balance, end of period	*7.6*	11.21	*8.2*	20.52
Options exercisable, end of period	*1.5*	9.05	*3.1*	16.90

(1) For Paramount Options exercised during the six months ended June 30, 2025, the weighted average market price of Common Shares on the dates exercised was $26.59 per share (twelve months ended December 31, 2024 – $29.31 per share).
(2) Represents the impact on the weighted average exercise price of all Paramount Options of reducing the exercise price of 6.4 million Paramount Options that had an exercise price of greater than $15.00 by $15.00 in connection with the Special Distribution.

In connection with the Special Distribution, in February 2025:

i. all outstanding unvested Paramount Options with an exercise price less than $15.00 were vested;
ii. 0.9 million Paramount Options were surrendered by holders in consideration for cash payments by Paramount totaling $22.0 million, calculated as the difference between the market price of the Common Shares and the exercise price of the applicable Paramount Options surrendered; and
iii. the exercise price of all Paramount Options with an exercise price of greater than $15.00 was reduced by $15.00.

Transaction and reorganization costs for the six months ended June 30, 2025 includes $22.0 million in respect of the cash payments made by the Company on the surrender of Paramount Options.

The weighted average remaining contractual life and exercise prices of Paramount Options outstanding as at June 30, 2025 are as follows:

	Paramount Options Outstanding			Paramount Options Exercisable		
Exercise Price	**Number (millions)**	**Remaining contractual life (years)**	**Weighted average exercise price**	**Number (millions)**	**Remaining contractual life (years)**	**Weighted average exercise price**
$0.13 – $6.99	1.5	1.8	1.24	0.5	1.8	1.23
$7.00 – $11.99	2.1	3.8	11.83	0.3	3.8	11.83
$12.00 – $14.99	1.9	2.9	13.48	0.6	2.8	13.48
$15.00 – $18.70	2.1	4.6	15.86	0.1	2.5	16.27
	7.6	**3.4**	**11.21**	**1.5**	2.7	**9.05**

The grant date fair value of Paramount Options and related weighted average inputs, estimated using the Black-Scholes model, are as follows:

	Options granted in 2025	**Options granted in 2024**
Weighted average exercise price ($ / share)	**15.80**	29.37
Volatility (%)	**42**	34
Expected life (years)	**4.0**	3.7
Pre-vest annual forfeiture rate (%)	**11.7**	13.0
Risk-free interest rate (%)	**2.6**	3.6
Dividend yield (%)	**3.6**	5.8
Weighted average fair value of awards ($ / option)	**4.28**	5.12

The expected life of Paramount Options is based on historical exercise patterns. Volatility is generally estimated based on the historical volatility in the trading price of the Common Shares over the most recent period that is commensurate with the expected life of the option and is normalized for significant transactions and other factors.

RSU Plan – Shares Held in Trust

	Six months ended June 30, 2025		**Twelve months ended December 31, 2024**	
	Shares (millions)		***Shares (millions)***	
Balance, beginning of period	***0.4***	**11.3**	*0.4*	3.4
Net change in vested and unvested shares	***(0.1)***	**(6.9)**	–	7.9
Balance, end of period	***0.3***	**4.4**	*0.4*	11.3

During the six months ended June 30, 2025, 1.3 million Common Shares were purchased under the Company's RSU plan at a total cost of $20.2 million and 1.4 million Common Shares having a cost of $27.1 million were released to RSU plan participants.

10. Income Tax

The following table reconciles income taxes calculated at the statutory rate to Paramount's income tax expense:

	Three months ended June 30		**Six months ended June 30**	
	2025	**2024**	**2025**	**2024**
Income before tax	**4.6**	106.4	**1,676.2**	198.7
Effective statutory income tax rate	**23.0%**	23.0%	**23.0%**	23.0%
Expected income tax expense	**1.1**	24.5	**385.5**	45.7
Effect of:				
Share-based compensation	**(0.3)**	–	**(0.9)**	0.6
Non-deductible items and other	**(0.4)**	(2.6)	**(1.3)**	(0.3)
Income tax expense	**0.4**	21.9	**383.3**	46.0

(Tabular amounts stated in $ millions, except as noted)

The following table summarizes movements in the deferred income tax asset (liability):

	Six months ended June 30, 2025	Twelve months ended December 31, 2024
Deferred income tax asset, beginning of period	131.5	203.5
Deferred income tax expense	(383.3)	(60.9)
Deferred income tax expense included in OCI	(5.9)	(11.1)
Deferred income tax (liability) asset, end of period	**(257.7)**	**131.5**

11. Financial Instruments and Risk Management

Financial Instruments

Financial instruments at June 30, 2025 consist of cash and cash equivalents, accounts receivable, risk management assets and liabilities, investments in securities and accounts payable. The carrying values of these financial instruments approximate their fair values.

Risk Management

From time to time, Paramount enters into derivative financial instruments to manage commodity price, interest rate and foreign currency exchange risks.

The fair values of risk management financial instruments are estimated using a market approach incorporating level two fair value hierarchy inputs, including forward market curves and price quotes for similar instruments, provided by financial institutions.

Changes in the fair value of risk management assets and liabilities for the six months ended June 30, 2025 are as follows:

Six months ended June 30, 2025	Financial commodity contracts (3)	Electricity swaps	Total
Fair value of asset, December 31, 2024	3.8	0.5	4.3
Changes in fair value – gain (1)	42.7	–	42.7
Changes in fair value – OCI	–	0.7	0.7
Risk management contract settlements (received) paid (2)	(16.4)	1.8	(14.6)
Fair value of asset, June 30, 2025	**30.1**	**3.0**	**33.1**
Risk management asset – current	34.5	–	34.5
Risk management asset – long-term	–	4.5	4.5
Risk management asset, June 30, 2025	**34.5**	**4.5**	**39.0**
Risk management liability – current	–	(1.5)	(1.5)
Risk management liability – long-term	(4.4)	–	(4.4)
Risk management liability, June 30, 2025	**(4.4)**	**(1.5)**	**(5.9)**

(1) Changes in fair value of $42.7 million related to financial commodity contracts is recorded as a gain on risk management contracts.
(2) Receipts by the Company on risk management contract settlements related to financial commodity contracts totaled $16.4 million. Risk management contract settlements paid by the Company relating to electricity swap contracts are recorded in operating expense.
(3) Financial commodity contracts include an embedded derivative with a liability of $2.5 million at June 30, 2025.

(Tabular amounts stated in $ millions, except as noted)

The Company had the following risk management contracts as at June 30, 2025:

Instruments	Aggregate notional	Average price or rate	Remaining term
Financial Commodity Contracts			
Oil			
NYMEX WTI Swaps (Sale) (1)	10,000 Bbl/d	$105.00/Bbl	July 2025 – December 2025
Natural Gas			
Citygate / Malin Basis Swap (2)	10,000 MMBtu/d	Citygate less US$0.97/MMBtu (Sell) Malin (Buy)	July 2025 – October 2028
Electricity Contracts (3)			
Swaps (Buy)	240 MWh/d	$71.13/MWh	July 2025 – December 2025
Swaps (Buy)	120 MWh/d	$58.79/MWh	July 2025 – December 2029
Swaps (Buy)	120 MWh/d	$58.19/MWh	January 2026 – December 2028
Swaps (Buy)	120 MWh/d	$61.73/MWh	January 2026 – December 2030

(1) "NYMEX" means New York Mercantile Exchange and "WTI" means West Texas Intermediate.
(2) "Citygate" refers to Pacific Gas & Electric Citygate and "Malin" refers to Pacific Gas & Electric Malin. Pursuant to the swap transaction Paramount sells at Citygate less US$0.97/MMBtu and buys at Malin. The transaction is financially settled with no physical delivery.
(3) Reference electricity rate: Floating hourly rate established by the Alberta Electric System Operator. "MWh" means megawatt-hour.

The Company also has an agreement to deliver between 500 Bbl/d and 1,000 Bbl/d of propane over the next four years at a delivery point in Alberta. The price received is based on the Argus Propane Monthly Far East Index less deductions for transportation, fuel and other charges.

The Company has classified its electricity swaps as cash flow hedges and applied hedge accounting. There were no changes to the critical terms of the hedging relationships and no hedge ineffectiveness was identified at June 30, 2025.

12. Revenue By Product

	Three months ended June 30		Six months ended June 30	
	2025	2024	**2025**	2024
Natural gas	**28.9**	45.6	**81.4**	128.0
Condensate and oil	**87.7**	367.7	**268.3**	712.6
Other natural gas liquids	**6.9**	20.8	**21.2**	44.8
Natural gas transportation assignment income	**2.7**	–	**10.1**	–
Royalty income and other revenue	**1.0**	9.5	**12.8**	10.6
Royalties	**(5.7)**	(66.1)	**(32.4)**	(128.0)
Sales of commodities purchased	**43.7**	84.4	**153.4**	139.1
	165.2	461.9	**514.8**	907.1

Natural gas transportation assignment income for the three and six months ended June 30, 2025 relates to proceeds realized by the Company on the assignment of a portion of its ex-Alberta natural gas transportation capacity to third parties. The assignee was responsible for the cost of the transportation assigned.

(Tabular amounts stated in $ millions, except as noted)

Royalty income and other revenue for the six months ended June 30, 2025 includes $11.1 million related to a second interim payment from insurers for 2023 Alberta wildfire losses (three and six months ended June 30, 2024 includes $10.0 million related to the first interim payment from insurers for wildfires losses). The Company has realized $21.1 million in aggregate interim payments in respect of its 2023 Alberta wildfire losses to date and continues to advance its insurance claims process.

13. Other

	Three months ended June 30		Six months ended June 30	
	2025	**2024**	**2025**	**2024**
Interest income	**(5.5)**	(1.1)	**(13.0)**	(1.6)
Provisions	**–**	–	**(0.5)**	(0.5)
Dividend income	**(3.1)**	(7.9)	**(3.6)**	(8.3)
Other	**1.9**	(0.3)	**0.3**	0.6
	(6.7)	(9.3)	**(16.8)**	(9.8)

Dividend income for the three and six months ended June 30, 2025 includes $3.1 million received from Sultran Ltd. ($7.8 million in dividends were received from Sultran Ltd. for the three and six months ended June 30, 2024).

14. Consolidated Statement of Cash Flows – Selected Information

Items Not Involving Cash

	Three months ended June 30		Six months ended June 30	
	2025	**2024**	**2025**	**2024**
Risk management contracts	**(18.9)**	0.4	**(26.3)**	11.1
Share-based compensation	**3.2**	5.8	**21.7**	13.3
Depletion and depreciation	**61.7**	140.3	**114.8**	255.1
Exploration and evaluation	**0.3**	0.1	**0.3**	0.1
Loss (gain) on sale of oil and gas assets	**15.3**	(0.3)	**(1,603.8)**	(15.9)
Accretion of asset retirement obligations	**6.0**	10.7	**13.1**	21.2
Deferred income tax	**0.4**	21.9	**383.3**	46.0
Other	**2.2**	–	**2.4**	1.2
	70.2	178.9	**(1,094.5)**	332.1

Supplemental Cash Flow Information

	Three months ended June 30		Six months ended June 30	
	2025	**2024**	**2025**	**2024**
Interest paid	**0.5**	0.4	**1.6**	0.9
Interest received	**6.2**	1.1	**12.0**	1.6

(Tabular amounts stated in $ millions, except as noted)

Components of Cash and Cash Equivalents

As at	June 30, 2025	December 31, 2024
Cash	561.8	2.4
Cash equivalents	–	–
	561.8	2.4

Cash and cash equivalents is comprised of interest-bearing demand deposits with a number of banks. Interest earned on deposits for the three and six months ended June 30, 2025 totaled $5.5 million and $13.0 million, respectively (average interest rate of 3.3 percent and 3.4 percent per annum, respectively), which has been presented in other (see Note 13).

15. Capital Structure

Paramount's capital structure consists of shareholders' equity and net (cash) debt.

The Company's primary objectives in managing its capital structure are to:

i. ensure liquidity to fund ongoing operations and capital programs, the settlement of obligations when due and the payment of regular monthly dividends;
ii. preserve financial flexibility and access to capital markets, including for the pursuit of strategic initiatives; and
iii. maximize shareholder returns considering the risk environment.

Paramount monitors and assesses its capital structure for alignment with its current and long-term business plans and will, guided by its primary capital management objectives, seek to adjust the structure as necessary in response to changes in its business plans, plans for shareholder returns, economic and operating conditions, financial and operating results, strategic initiatives and the Company's assessment of the risk environment. Paramount may adjust its capital structure through a number of means, including by modifying capital spending programs, seeking to issue or repurchase shares, altering debt levels, modifying dividend levels or acquiring or disposing of assets.

The key capital management measures used by the Company in monitoring and assessing its capital structure are net (cash) debt, adjusted funds flow, the ratio of net debt to adjusted funds flow and free cash flow. The use and composition of each of these measures is described below. These measures are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities.

Net (Cash) Debt

Net (cash) debt, in conjunction with capacity under existing credit facilities, is used to monitor and assess liquidity by providing Management and investors with a measure of the Company's overall leverage position.

(Tabular amounts stated in $ millions, except as noted)

The calculation of net (cash) debt is as follows:

As at	June 30, 2025	December 31, 2024
Cash and cash equivalents	(561.8)	(2.4)
Accounts receivable [1]	(113.8)	(191.8)
Prepaid expenses and other	(15.2)	(17.4)
Accounts payable and accrued liabilities	189.9	227.0
Long-term debt	–	173.0
Net (cash) debt	(500.9)	188.4

(1) December 31, 2024 balance excludes $0.8 million of accounts receivable relating to lease incentives.

Adjusted Funds Flow

Adjusted funds flow is used to monitor and assess liquidity and the flexibility of the Company's capital structure by providing Management and investors with a measure of the cash flows generated by the Company's assets available to fund capital programs and meet financial obligations, including the settlement of asset retirement obligations.

The calculation of adjusted funds flow is as follows:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Cash from operating activities	39.8	220.5	189.7	421.9
Change in non-cash working capital	31.6	40.6	(16.5)	44.1
Geological and geophysical expense	6.4	2.8	8.2	7.5
Asset retirement obligations settled	3.0	2.3	25.2	18.8
Closure costs	–	–	–	–
Provisions	–	–	(0.5)	(0.5)
Settlements	–	–	–	–
Transaction and reorganization costs	0.7	–	24.3	–
Adjusted funds flow	81.5	266.2	230.4	491.8

Net Debt to Adjusted Funds Flow Ratio

The ratio of net debt to adjusted funds flow is used to monitor and assess liquidity and the flexibility of the Company's capital structure by showing the relation of the cash flows generated by the Company's assets to its overall leverage position.

The net debt to adjusted funds flow ratio is calculated as the period end net debt divided by adjusted funds flow for the trailing four quarters. When the Company is not in a net debt position, the ratio of net debt to adjusted funds flow is not considered meaningful.

As at	June 30, 2025	December 31, 2024
Net (cash) debt	(500.9)	188.4
Adjusted funds flow, trailing four quarters	668.9	930.3
Net debt to adjusted funds flow ratio	NM [1]	0.2x

(1) NM means not meaningful.

(Tabular amounts stated in $ millions, except as noted)

Free Cash Flow

Free cash flow is used to monitor and assess liquidity, the flexibility of the Company's capital structure and the financial capacity to maximize shareholder returns by providing Management and investors with a measure of the internally generated cash available, after funding capital programs and asset retirement obligation settlements, to service the Company's financial obligations, pay dividends, repurchase Common Shares and fund additional growth opportunities.

The calculation of free cash flow is as follows:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Cash from operating activities	**39.8**	220.5	**189.7**	421.9
Change in non-cash working capital	**31.6**	40.6	**(16.5)**	44.1
Geological and geophysical expense	**6.4**	2.8	**8.2**	7.5
Asset retirement obligations settled	**3.0**	2.3	**25.2**	18.8
Closure costs	**–**	–	**–**	–
Provisions	**–**	–	**(0.5)**	(0.5)
Settlements	**–**	–	**–**	–
Transaction and reorganization costs	**0.7**	–	**24.3**	–
Adjusted funds flow	**81.5**	266.2	**230.4**	491.8
Capital expenditures	**(157.6)**	(240.8)	**(373.3)**	(454.7)
Geological and geophysical expense	**(6.4)**	(2.8)	**(8.2)**	(7.5)
Asset retirement obligations settled	**(3.0)**	(2.3)	**(25.2)**	(18.8)
Free cash flow	**(85.5)**	20.3	**(176.3)**	10.8

16. Commitments and Contingencies

Paramount had the following commitments at June 30, 2025:

	Within one year	After one year but not more than five years	More than five years
Petroleum and natural gas transportation and processing commitments	64.1	397.4	766.3
Other commitments	7.5	3.9	–
	71.6	**401.3**	**766.3**

In connection with the Grande Prairie Disposition, the acquiror assumed Paramount's processing and transportation commitments related to the Sold Assets.

Commitments – Physical Contracts

The Company had the following fixed price and basis differential physical contracts at June 30, 2025:

	Volume	Location	Average price	Remaining Term
Natural gas (Sale)	19,327 GJ/d	Dawn	AECO + $2.06/GJ	July 2025 – October 2025
Natural gas basis swap (1)	38,654 GJ/d	AECO / Dawn	$1.59/GJ	November 2025 – October 2027

(1) Paramount sells at Dawn at a fixed price of $4.51/GJ and buys at AECO at a fixed price of $2.92/GJ resulting in a net amount of $1.59/GJ.

Contingencies

Pipeline Release

Paramount is responding to a release of liquids that it believes to have originated from a Company pipeline located approximately 20 kilometers southeast of Fox Creek, Alberta. The response was initiated by Paramount after a routine fly-over inspection of the pipeline right of way on July 3, 2025. Paramount has notified impacted stakeholders and its insurers and commenced clean-up operations in co-operation with applicable regulatory authorities. The Company has incurred approximately $2 million to date responding to the release. The ultimate financial impact of the release on Paramount will be dependent on a number of factors that have yet to be determined, including the extent of required remediation activities.

Proceedings and Legal Actions

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. Paramount does not anticipate that these claims will have a material impact on its financial position.

Tax and royalty legislation and regulations, and government interpretation and administration thereof, continually change. As a result, there are often tax and royalty matters under review by 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.