

**PARAMOUNT RESOURCES LTD.
COMPENSATION COMMITTEE
CHARTER**

**(Adopted by the Board of Directors on May 19, 2005 with revisions
up to and including November 5, 2014)**

A. PURPOSE

The overall purpose of the Compensation Committee (the “**Committee**”) is to implement and oversee on behalf of the Board of Directors (the “**Board**”) of Paramount Resources Ltd. (the “**Corporation**”), compensation policies and general human resources policies and guidelines concerning employee compensation and benefits.

B. COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of at least three members of the Board, all of whom shall be “independent directors”¹ as that term is defined in Section 1.4 of National Instrument 52-110 - *Audit Committees* or such guidelines as may hereafter replace the same.
2. The Board shall appoint the members of the Committee. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
3. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from among their number.
4. The Corporate Secretary of the Corporation shall be the secretary of the Committee, unless otherwise determined by the Committee.
5. The Committee shall meet regularly each year on such dates and at such locations as the chair of the Committee shall determine and may also meet at any other time or times on the call of the chair of the Committee or any two of the other members.
6. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
7. The President and Chief Executive Officer shall be available to advise the Committee, shall receive notice of all meetings of the Committee and may attend meetings at the invitation of the chair of the Committee.
8. The Committee shall have access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent compensation consultants at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities. The Committee will notify the Chairman of the Corporate Governance Committee whenever independent compensation consultants are engaged.
9. The Committee will meet “in-camera”, without management, after each Committee meeting.

C. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee shall be as follows:

1. to ensure that the Corporation has in place programs to attract and develop management of the highest calibre and a process to provide for the orderly succession of management;

2. to consider and, after reasonable consultation by the Chair of the Committee with all other independent directors of the Corporation, approve the annual salary, bonus and other benefits, direct and indirect, of the President and Chief Executive Officer and to approve compensation for all other designated officers in the Corporation (in the latter case after considering the recommendations of the President and Chief Executive Officer), all in accordance with the Corporation's compensation policies and general human resources policies and guidelines concerning employee compensation and benefits, and with such compensation to realistically reflect the responsibilities and risks of such positions;
3. to implement and administer compensation policies and general human resources policies and guidelines concerning employee compensation and benefits concerning the following:
 - (a) executive compensation, contracts, stock plans or other incentive plans; and
 - (b) proposed personnel changes involving officers reporting to the President and Chief Executive Officer;
4. from time to time, to review the Corporation's broad policies and programs in relation to benefits;
5. to annually receive from the President and Chief Executive Officer recommendations concerning annual compensation policies and budgets for all employees;
6. from time to time, to review with the President and Chief Executive Officer the Corporation's broad policies on compensation for all employees and overall human resources strategy for employees;
7. to report regularly to the Board on all of the Committee's activities and findings during that year; and
8. to develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board within a reasonable period of time following each annual general meeting of shareholders.

D. ANNUAL REVIEW AND ASSESSMENT

The Committee shall conduct an annual review and assessment of its performance, including compliance with this Charter and its role, duties and responsibilities, and submit such report to the Board.

¹ **1.4 Meaning of Independence --**

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a "material relationship" means a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
 - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
 - (c) an individual who:
 - (i) is, a partner of a firm that is the issuer's internal or external auditor;
 - (ii) is an employee of that firm; or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time.
 - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of the firm that is the issuer's internal or external auditor;
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice; or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

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- (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at the same time on the entity's compensation committee; and
 - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because:
 - (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
 - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
 - (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
 - (6) For the purposes of clause (3)(f), direct compensation does not include:
 - (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer; and
 - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
 - (7) Despite subsection (3) an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member: (a) has previously acted as an interim chief executive officer of the issuer; or (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
 - (8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.