

CODE OF BUSINESS CONDUCT POLICY

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INTRODUCTION

This policy applies to the directors, officers, employees and consultants ("Paramount Personnel") of Paramount Resources Ltd. and its subsidiaries (together, the "Corporation").

The Corporation has a reputation for integrity and honesty that has been earned through the unwavering commitment of Paramount Personnel to these two aforementioned principles. The continued success of the Corporation is dependent on the maintenance of these high standards.

The Corporation and all Paramount Personnel are expected and required to adhere to the highest ethical standards when conducting business for and on behalf of the Corporation and in areas where a conflict might arise between an individual's personal interests and the best interests of the Corporation. Underlying all actions and business decisions is a concern for what is right. Any situation, decision or response should first consider what is right and how it reflects on the Corporation. In most cases, the best action or decision is governed by the guidelines in this document. If there is any question of appropriateness in a particular situation, an individual should seek the input of his or her supervisor. It is recognized that there may be situations in which it is impractical or inappropriate for an individual to bring the matter to their supervisor. In these cases, individuals should seek the advice of the General Counsel, Chief Financial Officer or the President and Chief Executive Officer.

BUSINESS CONDUCT POLICY

All Paramount Personnel:

- (1) shall deal with all persons doing or seeking to do business with the Corporation without favour or preference based on personal considerations;
- (2) are required to avoid any situation which does or may involve a conflict between their personal interest and the interest of the Corporation; and
- (3) shall be made aware of this Policy upon commencement of their association with or employment by the Corporation.

Violations of this policy shall be subject to disciplinary action and in the case where the violation by an employee is a fundamental breach of the employee's contract of employment with the Corporation, such breach shall constitute just cause for immediate termination of employment without notice. Likewise, the Corporation will terminate any consulting arrangement for a breach of the policy.

RESPECT FOR CO-WORKERS

The Corporation believes that all Paramount Personnel should respect the work and responsibilities of their co-workers. Accordingly, the Corporation has implemented its Respectful Workplace Policy, which defines and prohibits harassing, threatening and violent behavior and establishes processes for resolving complaints and implementing disciplinary action. All Paramount Personnel are expected to understand and comply with the Respectful Workplace Policy, a copy of which is posted on the Corporation's intranet site.

COMPLIANCE WITH THE LAW

A concern for what is right underlies all business decisions. A company may be held liable for the wrongful actions of its personnel. All Paramount Personnel must, therefore, ensure that their dealings and actions on behalf of the Corporation comply with the requirements and intent of all relevant legislation and regulations. This includes rules and guidelines established by a self-regulating body or professional organization.

In addition to the laws imposed by statute, there is a duty upon a company to honour agreements, whether in writing or not, and to act reasonably and in a manner that will not cause harm to others. All Paramount Personnel must diligently ensure that their conduct is not and cannot be interpreted as being in contravention of any laws governing the affairs of the Corporation in any jurisdiction where it carries on business.

Ignorance of the law will not usually excuse a party who contravenes a law. All Paramount Personnel must, therefore, work together with the Corporation to keep informed of laws which may affect those affairs of the Corporation which are under their control.

If in doubt about the application or interpretation of any legal requirement, an individual should seek the advice of the General Counsel.

HEALTH, SAFETY AND THE ENVIRONMENT

The Corporation is committed to safe and healthful working conditions for all Paramount Personnel and to conducting its activities in an environmentally responsible manner.

Paramount Personnel are expected to understand and comply with the Corporation's health, safety and environmental policies and procedures set out in the Paramount Operations Excellence Management System (POEMS) or otherwise implemented by the Corporation from time to time. The awareness of such policies and procedures will assist the Corporation in its ongoing commitment to protect the safety and health of our employees and contractors, the public and the environment.

All conditions, situations or accidents which give rise to health, safety or environmental concerns must be immediately reported to an individual's supervisor or the Director, EHS & Sustainability or, in his or her absence, any senior officer of the Corporation.

HUMAN RIGHTS

The Corporation is committed to respecting and protecting human rights. Accordingly, the Respectful Workplace Policy prohibits any harassment or discrimination, including based on age, race, gender, gender identity, gender expression, religious beliefs, ancestry, place of origin, colour, physical or mental disability, marital status, source of income, family status or sexual orientation. In addition, the Corporation and all Paramount Personnel are required to comply with all applicable laws pertaining to human rights, labour rights, freedom of association, collective bargaining and working hours. This includes all applicable laws designed to identify and address the risk of child labour, forced labour, human trafficking and modern slavery in the Corporation's supply chain, including the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada).

PAYMENTS TO AND FROM EMPLOYEES

It is the Corporation's policy to deal fairly and lawfully with all customers, suppliers and independent consultants purchasing or furnishing goods or services. All goods and services shall be obtained on a competitive basis at the best value considering price, quality, reliability, availability and delivery.

Paramount Personnel shall not accept gratuities or favours of any sort having more than a nominal value. Paramount Personnel should neither seek nor accept gifts, payments, services, fees, trips or accommodations, special privileges of value, or loans from any person (except from persons in the business of lending and then on conventional terms) or from any organization or group that does, or is seeking to do, business with the Corporation or from a competitor of the Corporation. Gifts of nominal value (advertising mementos, desk calendars or pens) or accepting hospitality or entertainment (lunch, dinner, or tickets to a local social event) are acceptable. Paramount Personnel should report gifts of a more substantial nature to their superior.

Paramount Personnel shall not offer, or provide on behalf of the Corporation, any expensive gifts, excessive entertainment or payments of any amount of money to any supplier, customer, subcontractor, competitor or to their representatives, nor pay to them, either directly or indirectly, any commissions or fees which are excessive in relation to the services rendered. Modest gifts, favours or entertainment may be furnished by Paramount Personnel whose duties permit them to do so, provided all of the following tests are met:

- (1) they are not in cash or securities and are of modest value;
- (2) they do not contravene any law and are made as a matter of generally accepted practice; and
- (3) if subsequently disclosed to the public, they would not in any way embarrass the Corporation or their recipients.

CONTRIBUTIONS

The Corporation encourages and supports the participation of Paramount Personnel in charitable, educational, cultural and political activities, acting on their own behalf, but not as representatives of the Corporation.

The direct or indirect use of the Corporation's funds, goods or services as contributions to charities, political parties, campaigns or candidates for election to any level of government requires the prior written approval of the President and Chief Executive Officer.

Contributions include money or anything having value, such as loans, services, entertainment, trips and the use of the Corporation's facilities or assets. Time spent on charitable, political or similar activities while an individual is to be attending to their responsibilities as an officer, employee or consultant of the Corporation also amounts to a contribution. Furthermore, Paramount Personnel shall not be reimbursed for any contributions which they might make acting in a personal capacity.

INTERACTIONS WITH PUBLIC OFFICIALS AND PAYMENTS TO PUBLIC OFFICIALS

As the Corporation operates in a heavily regulated industry, it must be especially sensitive to interactions with public officials. All interactions and communications between Paramount Personnel and public officials are to be conducted in a manner that will not compromise the integrity or reputation of the Corporation, any public office or any public official.

All Paramount Personnel must comply with all laws prohibiting improper payments or benefits to public officials, including the *Corruption of Foreign Public Officials Act (Canada)* and the *Criminal Code*. Without limiting the foregoing, neither the Corporation nor any Paramount Personnel shall make any payment to, nor confer any benefit of any kind upon, any public official or any member of their family for the purposes of inducing or influencing the public official to grant any favour, advantage, preferential treatment or assistance to the Corporation. If in doubt as to the propriety of actions, an individual should seek the advice of the General Counsel.

COMMUNITY RELATIONS

In the course of its business, the Corporation and Paramount Personnel come into contact with many members of the public, including individuals, community groups, public officials and members of the media. The Corporation strives to maintain its good reputation in the community and, therefore, needs to ensure that only designated spokespersons speak on behalf of the Corporation in order to recognize and deal with sensitive issues in an appropriate manner. Enquiries from members of the community related to matters of a sensitive nature should be directed to the appropriate spokesperson.

BOOKS OF ACCOUNT

The Corporation's books of account and records must reflect in reasonable detail all of its business transactions in a timely, fair and accurate manner to ensure that all transactions with which they are involved are authorized and executed in accordance with the Corporation's procedures and that no undisclosed or unrecorded transactions are made.

INSIDER TRADING, TIPPING AND BLACKOUTS

The Corporation encourages Paramount Personnel to be shareholders in the Corporation as one way to more tangibly link shareholder interests with their own. All Paramount Personnel must review, be familiar with and strictly adhere to the provisions of the Corporation's Disclosure & Insider Trading Policy (the "Insider Trading Policy") to ensure compliance with applicable securities laws governing trading in securities of the Corporation. A copy of the Insider Trading Policy is posted on the Corporation's intranet site.

As described under "Purchase and Sale of Company Securities" in the Insider Trading Policy, it is a breach of securities laws for Paramount Personnel to purchase or sell securities of the Corporation while in possession of Undisclosed Material Information (as defined in the Insider Trading Policy) respecting the Corporation.

As described under "Maintaining Confidentiality" in the Insider Trading Policy, it is a breach of securities laws to "tip" any other person by communicating to them Undisclosed Material Information other than in the necessary course of business. It also is a breach of securities laws to, while in possession of Undisclosed Material Information, recommend or encourage any other person to purchase or sell a security of the Corporation.

The above prohibitions apply not only to trading in securities of the Corporation, but also apply to other securities whose value might be affected by changes in the price of the Corporation's securities. They may also equally apply with respect to securities of a public company other than the Corporation if Paramount Personnel come into possession of material undisclosed information respecting such a company in the course of their duties or are "tipped" to such information.

In addition to the above prohibitions, which apply at all times, the Corporation imposes trading blackouts from time to time in accordance with the Insider Trading Policy. All Paramount Personnel subject to a trading blackout must strictly comply with it.

The penalties for failing to comply with applicable securities laws can be severe and failures to comply can damage the reputation of the Corporation and the individual. If any doubt exists as to the propriety of actions, individuals should seek the advice of the Trading Officer or General Counsel as provided in the Insider Trading Policy.

COMPANY SECRETS

The Corporation is in a highly competitive environment with other oil and gas companies seeking the advantage of technical ideas or information. Certain records, reports, papers, devices, processes, plans, methods and apparatus of the Corporation, including methods of doing business and information on P&NG rights held, cost information, geological maps, engineering and information system technologies, are the "intellectual property" of the Corporation and are considered to be strictly confidential. Paramount Personnel are not to reveal or use for any personal purpose such confidential information without written consent from the President and Chief Executive Officer.

Confidential information does not include information which is already in the public domain. Certain information may be released by the Corporation (to comply with securities regulations for example); however, the release of such information is a decision of the Board of Directors and/or senior management. If there is any doubt as to what can or cannot be discussed outside of the Corporation, Paramount Personnel should err on the side of discretion and not communicate any information. For more specific advice, an immediate supervisor or the Chief Financial Officer or General Counsel should be consulted.

CONFLICT OF INTEREST

Paramount Personnel are required to avoid any situation(s) in which their personal interests might conflict with those of the Corporation. More specifically, Paramount Personnel must avoid acquiring interests, or participating in activities which would tend:

- (1) to deprive the Corporation of the time or attention required to perform their duties properly; or
- (2) to create an obligation which would affect their judgment or ability to act solely in the Corporation's best interest.

Any unusual potential for conflict of interest is inherent in direct or indirect (i.e. through family members) relationships with enterprises which supply, buy from, or compete with the Corporation. Such relationships include:

- (1) borrowing from such an enterprise;
- (2) employment, consultation or directorships with such an enterprise;
- (3) receipt of gifts or favours of more than nominal value, particularly in situations in which business judgment may be influenced; and
- (4) direct or beneficial ownership of an interest in, or any class of, the assets or securities of such an enterprise, except an investment representing less than one per cent of the outstanding securities of a publicly traded corporation.

While it is not possible to list every circumstance which may give rise to a conflict of interest, the following are considered to be conflicts of interest and are to be used as a guide to consider what other types of activity are or may also create conflicts of interest.

Paramount Personnel shall refrain from:

- (1) serving as a director, officer, or consultant of any outside concern which does business with, or is a direct competitor of the Corporation, except with the written

consent of the Corporation, which consent shall not be unreasonably withheld, providing this relationship is not materially adverse to the Corporation;

- (2) giving preferred treatment to a relative, friend or acquaintance in the hiring, assessment of performance, career progression, or compensation of such person;
- (3) disclosing to unauthorized persons or using for personal benefit or advantage of the Corporation's information, data, or records of a confidential nature which is not otherwise generally available to the public from the Corporation's-provided information or non-corporation sources;
- (4) competing with the Corporation either directly or indirectly;
- (5) reserving for oneself or diverting elsewhere a business opportunity that belongs to, has been developed by or is or would be available to the Corporation or for which the Corporation has been or will be negotiating;
- (6) soliciting for, acceptance of, or giving a commission, kick-back, gift or any other fee or payment for the direct or indirect benefit of the individual or any other persons or corporations;
- (7) participating in any transaction involving the interests of the Corporation and in which the individual or a close relative (spouse, child, parent, brother, sister, in-law, friend, or close acquaintance) has a personal interest, unless expressly authorized in writing to do so after the relationship has been disclosed; and
- (8) engaging in community or political activities in any matter where there may be a conflict with the best interests of the Corporation.

Paramount Personnel and any member of their family or their spouse's family financially dependent upon them shall refrain from:

- (1) owning or controlling a significant interest in and participating directly or indirectly in the profits of any outside concern, other than as a regular employee of such concern, which does business with or is a direct competitor of the Corporation. Securities of publicly-owned corporations which are traded regularly on open stock markets may be owned if they are not purchased as a result of confidential knowledge about the operations, intentions or negotiations of the Corporation with such parties or others;
- (2) accepting or giving directly or indirectly any gift of more than nominal value, loans, cash in any amount, excessive entertainment or travel, payments, services or other substantial or unusual favours from or to any person or company which does or is seeking to do business with, or is a competitor of the Corporation. This does not preclude Paramount Personnel from obtaining, on their own credit rating, regular loans from established banking or financial institutions; and
- (3) acquiring or trading in oil, gas, coal, or other mineral leases, royalty interests, and production payments that would at the time of their acquisition by such individual conflict with the best interest of the Corporation. This does not preclude Paramount Personnel from holding property or interests acquired by inheritance or from investing for profit in real estate which may incidentally involve mineral interests or leases, provided there is no conflict with the best interests of the Corporation and such holdings were not purchased as a result of confidential knowledge about the operation, intentions or negotiations of the Corporation.

The aforementioned examples of a conflict of interest are not exhaustive and in general are intended solely as a guide. In any situation where there may be a reasonable doubt, the responsibility of the affected individual will be to seek clarification from the Corporation prior to participating in the activity rather than this activity becoming the subject of a conflict of interest review at a later date.

Paramount Personnel must act in such a manner that their conduct will bear the closest scrutiny should circumstances demand that it be examined. Not only actual conflicts of interest but the very appearance of conflict should be avoided.

Where a conflict of interest situation may exist or be perceived to exist, the individual may be put in a compromising position and their judgment may be questioned. The Corporation wants to ensure that all Paramount Personnel are, and are perceived to be, free to act in the best interests of the Corporation. Disclosure of areas of potential conflict of interest must be made immediately to senior officers of the Corporation and will allow the Corporation to decide what appropriate steps are to be taken to protect both the Corporation and the individual from these situations.

CONFLICT OF INTEREST SITUATIONS ARE TO BE AVOIDED BY ALL PARAMOUNT PERSONNEL. FOLLOWING DISCLOSURE IN WRITING TO THE CORPORATION OF A CONFLICT OR PERCEIVED CONFLICT SITUATION, THE CORPORATION MAY OR MAY NOT GRANT APPROVAL IN WRITING. IF THE CORPORATION DECLINES TO GRANT APPROVAL, IMMEDIATE STEPS MUST BE TAKEN BY THE INDIVIDUAL TO END THE CONFLICT.

Paramount Personnel shall disclose in writing, at the time their association with, or employment by the Corporation becomes effective (Certification form attached to this Policy) all business, commercial or financial interests, activities, or any relationships which might reasonably be regarded as creating an actual or potential conflict of interest with their duties as a director, officer, employee or consultant.

In addition to all of above, any Paramount Personnel subject to the Corporation's Associated Party Transaction Policy shall also comply with the requirements of such policy. A copy of the Associated Party Transaction Policy is posted on the Corporation's intranet site.

RESTRICTIONS ON HEDGING AND LOANS BY DIRECTORS AND OFFICERS

Hedging

All directors and officers of the Corporation are prohibited from purchasing or writing financial instruments, such as puts and call options, prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity securities granted to such director or officer as compensation or held or controlled, directly or indirectly by the director or officer. This policy shall not prevent a director or officer from pledging shares in the Corporation as security for a loan nor shall this policy prevent a director or officer from holding shares in the Corporation in a brokerage margin account. Upon disclosure and application, the Chair of the Corporate Governance Committee may grant to a director or officer an exemption from the provisions of this policy for shares in the Corporation that are beneficially owned by one or more third parties but held in an account or fund managed and controlled by such director or officer.

Loans

The Corporation shall not directly or indirectly extend or maintain credit, or arrange for the extension of credit, in the form of a personal loan to or for any director or officer.

CERTIFICATION

All Paramount Personnel shall, upon joining the Corporation and thereafter at such frequency as may be stipulated from time to time by the President and Chief Executive Officer or Chief Financial Officer, certify that they have reviewed and are in compliance with the provisions contained in this Code of Business Conduct Policy. Officers of the Corporation will be required to provide a certificate annually to the Audit Committee of the Board of Directors in this regard. The attached form of certification is also to be used by Paramount Personnel to disclose any conflict of interest or violation situations that may arise in the future.

REPORTING CONCERNS

It is the responsibility of all Paramount Personnel who become aware of, or are concerned about, any illegal or unethical behaviour or a contravention of this policy to report the matter promptly to his or her immediate supervisor or the General Counsel. You may make such report by following the procedures described in the Corporation's Whistleblower Policy posted on the Corporation's internet and intranet sites or, if applicable, under the procedures described in the Respectful Workplace Policy. The Corporation strictly prohibits any discrimination, retaliation or harassment against any person who makes such a report or participates in any subsequent investigation. The reporter will be afforded the protections described in the Corporation's Whistleblower Policy or, if applicable, under the procedures described in the Respectful Workplace Policy.

PARAMOUNT RESOURCES LTD.

CERTIFICATION STATEMENT FOR THE CODE OF BUSINESS CONDUCT POLICY

I have read Paramount's Code of Business Conduct Policy (the "Policy") and I certify that except as specifically noted in the Exceptions below:

- (1) I understand the content, purpose and consequences of contravening the Policy.
- (2) I am not and have not been in violation of the Policy except as may be stated below.
- (3) After due inquiry and to my best knowledge and belief, no employee or consultant under my direct supervision is in violation of the Policy.
- (4) I will exercise my best efforts to assure full compliance with the Policy by all employees or consultants under my direct supervision and I will continue to abide fully by the Policy.

Print or type name

Signature

Title

Date

ANY/ALL EXCEPTIONS

(Please include any potential violations or conflict of interest situations)

(1) _____

(2) _____

(If required, provide additional details on the reverse side of this sheet or by appendage to this Certificate.)