



Paramount
resources ltd.

**Report under the
Fighting Against Forced Labour and Child Labour in Supply Chains Act
For the Year Ended December 31, 2023**

May 2, 2024

INTRODUCTION

This report is made by Paramount Resources Ltd. ("Paramount" or the "Company") pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada) (the "Act") for the financial year ending December 31, 2023.

STRUCTURE AND OPERATIONS

Paramount is an independent, publicly traded, liquids-rich natural gas focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas. All of Paramount's operations and oil and natural gas properties are located onshore in Western Canada, primarily in Alberta and British Columbia.

Paramount is incorporated under the *Business Corporations Act* (Alberta). The Company's corporate and registered office is located at Suite 4700, 888 – 3rd Street SW, Calgary, Alberta T2P 5C5. Paramount's class A common shares are listed on the TSX under the symbol "POU".

The Company has two material wholly-owned subsidiaries: Cavalier Energy Inc., which holds interests prospective for cold flow heavy oil and in-situ thermal oil recovery, and Fox Drilling Limited Partnership, which owns and operates drilling rigs used in Paramount's operations. None of Paramount's subsidiaries are reporting entities for the purposes of the Act and this report is not a joint report of Paramount and any subsidiaries.

At December 31, 2023, Paramount had 281 head office employees and 174 field employees. All of the Company's employees are located in Western Canada.

A complete description of Paramount's properties and operations is provided in its annual information form for the year ended December 31, 2023, which can be accessed on the Company's website at www.paramountres.com or on SEDAR+ at www.sedarplus.ca.

SUPPLY CHAIN

Paramount's supply chain consists of suppliers, vendors and contractors ("Suppliers") who provide goods and services in connection with the oil and gas exploration, development and production process. In 2023, approximately 99% of the Company's direct expenditures on oilfield goods and services were paid to Suppliers domiciled in Canada, with most of the remainder paid to Suppliers domiciled in the United States.

Suppliers are primarily contracted through the Company's Supply Chain Management department, which is under the supervision of Paramount's Vice-President, Engineering and Projects and Executive Vice President, Operations.

POLICIES

Paramount's Code of Business Conduct is the primary policy of the Company respecting the ethical conduct of its business. The Code of Business Conduct applies to all of the directors, officers, employees and consultants of Paramount and of its subsidiaries. The Audit Committee of the Company's Board of Directors (the "Board") receives, annually, certificates from Paramount's officers and senior management confirming their compliance with the Code of Business Conduct. In addition, each employee and consultant receives annually a communication reiterating the need to comply with the Code of Business Conduct. A complete copy of the Code of Business Conduct is available on the Company's website at www.paramountres.com or on SEDAR+ at www.sedarplus.ca.

The Code of Business Conduct specifically provides that Paramount and all of its 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 applicable laws designed to identify and address the risk of child labour, forced labour, human trafficking and modern slavery in the Company's supply chain, including the Act.

The Company's standard contractual terms and conditions require Suppliers to: (i) acknowledge they have reviewed and will adhere to Paramount's policies and procedures, including the Code of Business Conduct; (ii) comply with all applicable laws and regulations; and (iii) impose similar terms and conditions on their subcontractors. These standard terms provide for termination if a Supplier's performance is not acceptable, including any failure to comply with applicable laws or regulations or Paramount's policies or procedures.

DUE DILIGENCE PROCESSES AND RISK ASSESMENT AND MANAGEMENT

Paramount's business activities are carried out exclusively in Western Canada in compliance with applicable labour and employment laws, including those governing minimum working age and working conditions. Accordingly, the Company believes that there is no appreciable risk of forced labour or child labour in its direct operations. Therefore, Paramount has not adopted any due diligence process specifically aimed at identifying instances of forced labour or child labour in its direct operations over and above its general processes and procedures for monitoring compliance with the laws and regulations applicable to its business.

Paramount recognizes that there is a risk of forced labour or child labour in its supply chain, particularly with respect to the indirect procurement of goods produced in higher risk industries or that may have been originally sourced from higher risk jurisdictions. In 2023, the Company developed and implemented a plan to conduct preliminary due diligence of its supply chain with a view to assessing such risk. This due diligence was completed in three phases: (i) scoping; (ii) data collection; and (iii) evaluation. Paramount engaged the services of an external consulting firm with experience in human rights risk assessment (the "Consulting Firm") to assist with this process.

Scoping

Paramount compiled a list of major direct Suppliers of oilfield goods and services as well as certain select direct Suppliers identified as potentially having a higher risk of forced labour or child labour in their supply chains based on risk factors such as industry and product (together, the "Assessed Suppliers").

Data Collection

To collect the data required for the assessment, a survey was administered to each Assessed Supplier addressing the following:

- the Supplier's operations and supply chain, including location, industry and product;
- risk exposure, including awareness of incidents, whether the Supplier has processes to identify risks in its supply chain, whether the Supplier has an accountable person to oversee its risk processes and compliance with local employment laws;
- incidents in the supply chain, including awareness of incidents and measures taken to address any incidents;
- policies and procedures, including whether the Supplier has its own policies and procedures in place with respect to forced labour and child labour and whether the Supplier requires its direct suppliers to read and acknowledge such policies and procedures; and
- reporting and training, including whether the Supplier has a formal reporting process respecting forced labour and child labour and whether the Supplier provides training to its staff on how to recognize and address instances of forced labour and child labour.

Responses to the survey were received from 34 of the 49 Assessed Suppliers.

Evaluation

Survey data received from the Assessed Suppliers was compiled and assessed by the Consulting Firm. Based on the survey data, the Consulting Firm evaluated the risk of forced labour or child labour in Paramount's supply chain as being low, but not non-existent. Although none of the Assessed Suppliers who responded to the survey reported any incidents of forced labour or child labour, some Suppliers exhibited supply chain risk based on the geographic location of the operations of their suppliers and the type of industry of the goods being supplied. The Company continues to evaluate the survey results, including whether any additional steps are warranted to further strengthen its due diligence regarding the risk of forced labour and child labour in its supply chain.

REMEDATION MEASURES

Paramount did not become aware of any instances of forced labour or child labour in its operations or supply chain in 2023. Consequently, the Company did not take any measures to remediate: (i) any adverse impacts of forced labour or child labour; or (ii) the loss of income to the most vulnerable families resulting from any measure taken to eliminate the use of forced labour or child labour.

TRAINING

In 2023, Paramount provided training on the risks of forced labour or child labour to members of its Supply Chain Management group. This training was developed and administered by the Consulting Firm. The objective of the training was for participants to be able to:

- have an understanding of the underlying concepts of forced labour and child labour;
- recognize signs of forced labour or child labour in supply chains;
- understand the requirements of the Act;
- contribute to and lead discussions with Suppliers and others about the risks of forced labour and child labour; and
- apply ethical decision making in their professional roles in order to contribute to the Company's commitment to respecting and protecting human rights.

ASSESSMENT OF EFFECTIVENESS

Other than the actions described in this report and the review and approval of this report by the Board, no actions were taken by Paramount in 2023 to assess its effectiveness in preventing and reducing risks of forced labour and child labour in its activities and supply chain.

APPROVAL AND ATTESTATION

This report was approved pursuant to subparagraph 11(4)(a) of the Act by the Board.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in this report. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in this report is true, accurate and complete in all material respects for the purpose of the Act for 2023.

I have the authority to bind Paramount.

(signed) "James H.T. Riddell"

Full name: James H.T. Riddell

Title: Chair of the Board and President and Chief Executive Officer

Date: May 2, 2024