COMPILATION REPORT

To the Trustee of Paramount Energy Trust

We have reviewed, as to compilation only, the accompanying pro forma consolidated balance sheet of Paramount Energy Trust as at September 30, 2002 and the pro forma consolidated statements of earnings for the year ended December 31, 2001 and the nine month period ended September 30, 2002. These pro forma financial statements have been prepared for inclusion in the prospectus. In our opinion, the pro forma consolidated balance sheet and the pro forma consolidated statements of earnings have been properly compiled to give effect to the proposed transactions and assumptions described in the notes thereto.

Signed by: "*KPMG LLP*"

Chartered Accountants
Calgary, Canada
January 29, 2003

PARAMOUNT ENERGY TRUST

Pro Forma Consolidated Balance Sheet
September 30, 2002
(Cdn$000)

	Acquisition of Initial Assets	Adj.		Total After Initial Assets	Rights Offering	Acquisition of Additional Assets	Adj.		Rights @ 100%	Rights @ 75%	Rights @ 50%
	3(b)				3(c)				2(a)	2(a)	2(c)
ASSETS											
Current Assets											
Cash	$ -	$ -		$ -	$ 149,133	$ (149,133)	$ -		$ -	$ -	$ -
	-	-		-	149,133	(149,133)			-	-	-
Property, plant and equipment											
Petroleum and natural gas properties	81,000	(35,922)	3(f)	45,078	-	220,000	(27,988)	3(f)	237,090	203,392	148,246
	$ 81,000	$(35,922)		$ 45,078	$ 149,133	$ 70,867	$ (27,988)		$ 237,090	$ 203,392	$ 148,246
LIABILITIES AND EQUITY											
Current Liabilities											
Debt 3(d)	$ 30,000	$ -		$ 30,000	$ -	$ 70,867	$ -		$ 100,867	$ 99,790	$ 74,139
	30,000	-		$ 30,000	-	70,867			100,867	99,790	74,139
Future site restoration and abandonment costs	-	368	3(f)	368	-	-	5,288	3(f)	5,656	4,728	3,209
Equity						-					
Unitholders' equity	51,000	(36,290)	3(g)	14,710	149,133	-	(33,276)	3(g)	130,567	98,874	70,898
	51,000	(36,290)		14,710	149,133		(33,276)		130,567	98,874	70,898
	$ 81,000	$ (35,922)		$ 45,078	$ 149,133	$ 70,867	$ (27,988)		$ 237,090	$ 203,392	$ 148,246

See accompanying notes to pro forma consolidated financial statements

PARAMOUNT ENERGY TRUST

Pro Forma Consolidated Statement of Earnings
Nine Months Ended September 30, 2002
(Cdn$000)
(Unaudited)

		Northeast Alberta Total	Excluded Assets	Adjustments	Rights @ 100%	Adjustments	Rights @ 75%	Adjustments	Total to PET Rights @ 50%
Revenue:		4(a)	4(a)	4(d)(e)(f)(g)(h)		(2)		(2)	
Sales of natural gas		$ 84,844	$ (1,681)	$ -	$ 83,163	$(11,520)	$ 71,643	$(18,843)	$52,800
Hedging	4(b)	17,062	(338)	-	16,724	(2,317)	14,407	(3,789)	10,618
Royalties		(14,030)	433	-	(13,597)	1,759	(11,838)	2,879	(8,959)
		87,876	(1,586)	-	86,290	(12,078)	74,212	(19,753)	54,459
Expenses:									
Operating		21,798	(298)	-	21,500	(3,076)	18,424	(5,032)	13,392
Surmont compensation – net	4(c)	(37,291)	37,291	-	-	-	-	-	-
General and administrative	4(d)	3,079	(55)	125	3,149	-	3,149	-	3,149
Interest	4(g)	-	-	3,179	3,179	(390)	2,789	(639)	2,150
Dry hole	4(e)	246	-	-	246	(43)	203	(71)	132
Lease rentals	4(e)	1,228	(17)	-	1,211	(173)	1,038	(284)	754
Geological and geophysical	4(e)	367	-	-	367	(64)	303	(106)	197
Gain (Loss) on sale of property and equipment		134	-	-	134	(24)	110	(38)	72
Depletion and Depreciation 4(e)	4(f)	38,480	(686)	-	37,794	(5,373)	32,421	(8,788)	23,633
Site restoration	4(f)	623	(11)	-	612	(87)	525	(143)	382
		28,664	36,224	3,304	68,192	(9,230)	58,962	(15,101)	43,861
Earnings before Taxes		59,212	(37,810)	(3,304)	18,098	(2,848)	15,250	(4,652)	10,598
Income and Other Taxes	4(h)								
Current taxes		1,026	-	(1,026)	-	-	-	-	-
Future income taxes		16,873	(10,774)	(6,099)	-	-	-	-	-
		17,899	(10,774)	(7,125)	-	-	-	-	-
Net Earnings		$ 41,313	$ (27,036)	$ 3,821	$ 18,098	$ (2,848)	$ 15,250	$ (4,652)	$ 10,598
Net Earnings per Trust Unit									
Basic					$ 0.46		$ 0.47		$ 0.43
Diluted	5				$ 0.46		$ 0.47		$ 0.43

See accompanying notes to pro forma consolidated financial statements

PARAMOUNT ENERGY TRUST

Pro Forma Consolidated Statement of Earnings
Year Ended December 31, 2001
(Cdn$000)
(Unaudited)

		Northeast Alberta Total	Excluded Assets	Adjustments	Total to PET: Rights @ 100%	Adjustments	Rights @ 75%	Adjustments	Rights @ 50%
		4(a)	4(a)	4(d)(e)(f)(g)(h)		(2)		(2)	
Revenue:									
Sales of Natural Gas		$235,641	$ (7,358)	$ -	$ 228,283	$ (35,072)	$ 193,211	$ (57,363)	$ 135,848
Hedging	4(b)	9,123	(285)	-	8,838	(1,358)	7,480	(2,221)	5,259
Royalties		(47,319)	1,558	-	(45,761)	6,473	(39,288)	10,587	(28,701)
		197,445	(6,085)	-	191,360	(29,957)	161,403	(48,997)	112,406
Expenses:									
Operating		33,955	(1,085)	-	32,870	(4,958)	27,912	(8,108)	19,804
General and administrative	4(d)	5,529	(151)	(880)	4,498	-	4,498	-	4,498
Interest	4(g)	-	-	4,250	4,250	(797)	3,453	(797)	2,656
Dry hole	4(e)	507	-	-	507	(89)	418	(146)	272
Lease rentals	4(e)	2,175	(70)	-	2,105	(318)	1,787	(519)	1,268
Geological and geophysical	4(e)	848	-	-	848	(149)	699	(243)	456
Gain (Loss) on sale of property and equipment		134	-	-	134	(24)	110	(38)	72
Depletion and depreciation 4(e)	4(f)	37,459	(1,020)	-	36,439	(5,181)	31,258	(8,473)	22,785
Site restoration	4(f)	1,057	(29)	-	1,028	(147)	881	(239)	642
		81,664	(2,355)	3,370	82,679	(11,663)	71,016	(18,563)	52,453
Earnings before Taxes		115,781	(3,730)	(3,370)	108,681	(18,294)	90,387	(30,434)	59,953
Income and Other Taxes	4(h)								
Current taxes		15,838	(510)	(15,328)	-	-	-	-	-
Future income taxes		32,029	(1,032)	(30,997)	-	-	-	-	-
		47,867	(1,542)	(46,325)	-	-	-	-	-
Net Earnings		$ 67,914	$ (2,188)	$ 42,955	$ 108,681	$(18,294)	$ 90,387	$ (30,434)	$ 59,953
Net earnings per Trust Unit									
Basic					$ 2.74		$ 2.81		$ 2.42
Diluted	5				$ 2.74		$ 2.81		$ 2.42

See accompanying notes to pro forma consolidated financial statements

1. Paramount Energy Trust:

Paramount Energy Trust ("PET") is an unincorporated trust formed under the laws of the Province of Alberta pursuant to a trust indenture dated June 28, 2002, as amended, and whose trustee is Computershare Trust Company of Canada. The beneficiaries of PET are the holders of the Trust Units of PET (the "Unitholders"). PET was established for the purposes of issuing Trust Units and acquiring and holding royalties and other investments. The consolidated assets of PET consist of cash of $200 held directly and through 100 percent ownership of Paramount Energy Operating Corp. (the "Administrator") and the ownership of 100 percent of the beneficial interests of Paramount Operating Trust ("POT"). PET will utilize a calendar fiscal year for financial reporting purposes.

The Administrator was incorporated primarily to act as trustee of POT. As trustee of POT, the Administrator will hold legal title to the properties and assets of POT on behalf of and for the benefit of POT and will administer, manage and operate the oil and gas business of POT. In addition, the Administrator will provide certain management and administrative services for PET and its trustee pursuant to a delegation of power and authority to it under the PET indenture.

Subject to and following the issuance of a receipt for a prospectus, PET, POT, the Administrator and Paramount Resources Ltd. ("PRL") will complete a series of transactions pursuant to which PET, on a consolidated basis, will acquire oil and gas properties and related assets with an estimated value of $301,000,000 from PRL assuming PET raises equity of $150,000,000 from the exercise of rights and obtains bank financing of $100,000,000, as follows:

- PRL will, effective July 1, 2002, sell its interest in certain assets (the "Initial Assets") to POT for consideration consisting of a promissory note in PRL's favor of approximately $81,000,000. Interest on the $81,000,000 purchase price will accrue at a rate of 6.5% per annum. At that time a secured guarantee will be given by both POT and PET in respect of $20,000,000 of PRL's indebtedness to PRL's lenders. At the same time PRL and POT will execute the Take-Up Agreement which requires PRL to sell and POT to purchase up to 100 percent of PRL's interest in certain additional assets (the "Additional Assets"). Assuming the acquisition of 100% of PRL's interest in the Additional Assets, the purchase price will be approximately $220,000,000. POT will pay a $5,000,000 deposit on the purchase price of these assets through the issuance of a non-interest bearing promissory note;

- POT will, effective July 1, 2002, grant to PET a royalty of 99 percent of the net revenue less permitted deductions with respect to debt payments, capital expenditures and certain other amounts from the Canadian resource properties comprised in the Initial Assets and all after-acquired Canadian resource properties of POT including the Additional Assets described below (the "Royalty") in exchange for consideration consisting of $64,152,000 to be paid in accordance with an agreement between POT, PET and PRL whereby PET will issue and deliver to PRL a first promissory note in the amount of $30,000,000 and a second promissory note in the amount of $34,152,000. The first promissory note will bear annual interest equal to the prime rate of a major Canadian chartered bank from time to time plus 1.875%. This payment will reduce the amount of indebtedness that POT owes to PRL to approximately $16,848,000 which will be represented by a promissory note that will bear annual interest from the date of issue equal to the prime rate of a major Canadian chartered bank from time to time plus 1.875%. PET will grant a security interest to PRL in PET's assets as security for its indebtedness under the first promissory note and POT will grant a guarantee to PRL for such indebtedness and will grant to PRL a security interest over its assets for the guarantee. Because PET is not a party to the sale agreement between PRL and POT for the Initial Assets and PRL is not a party to the royalty agreement between PET and POT for the Royalty, promissory notes were necessary in order to complete the sale agreement as an intermediary step to give title to POT so POT could create the Royalty;

PARAMOUNT ENERGY TRUST
Notes to Pro forma Consolidated Financial Statements

- PET will issue 6,636,045 Trust Units to PRL in full repayment of the indebtedness under the second promissory note;

- PET will purchase from PRL the remaining $16,848,000 indebtedness owed by POT to PRL in exchange for the issuance and delivery to PRL of an additional 3,273,721 Trust Units;

- PRL will, by way of a dividend, distribute all of the PET Trust Units held by PRL, being all 9,909,767 of the Trust Units that PRL will then hold, to the holders of PRL common shares;

- PET will issue to each of the holders of the Trust Units distributed by PRL, three rights to subscribe for additional PET Trust Units. Each right will entitle the holder to purchase one additional PET Trust Unit at a subscription price of $5.05 per Trust Unit. The number of rights to be issued and therefore the number of Trust Units issuable upon exercise of the rights and the exercise price of the rights was determined as a function of the funds required, together with anticipated levels of bank financing available on a full rights offering basis, to acquire up to 100% of PRL's interest in the Additional Assets, and Canadian securities and regulatory authority requirements that the exercise price of the rights be established at or below the fair value of the Trust Units; and

- PRL will, effective July 1, 2002, sell to POT up to 100 percent of PRL's interest in the Additional Assets for an aggregate consideration (assuming the acquisition of 100 percent) of approximately $220,000,000. If all of the rights are exercised, proceeds of $150,132,970 (before issue costs) will be raised under the offering and these proceeds, together with bank financing of $100,000,000 will be used to repay the $30,000,000 promissory note to PRL and to complete the acquisition of the Additional Assets.

PET currently anticipates that the closing of the purchase of the Initial Assets, the execution of the Take-Up Agreement, the execution of the royalty agreement for the Royalty, the issuance of the first and second promissory notes to PRL, the satisfaction of such notes through the issuance of Trust Units to PRL and the declaration of the dividend by PRL will occur immediately following effectiveness of this prospectus. PET anticipates the dividend will be paid by PRL seven business days thereafter, and the record date for the rights will be three business days thereafter. The rights offering will close 21 to 24 calendar days after the payment of the dividend shortly after which time POT will acquire up to 100% of PRL's interest in the Additional Assets under the Take-Up Agreement.

The purchase price for the Initial Assets of $81,000,000 was calculated based on the present value, before income tax, of the expected future cash flows generated by the oil and natural gas properties included in the Initial Assets, discounted by 15% as derived from the escalating price reserve evaluation prepared by McDaniel effective July 1, 2002 with minor adjustments for undeveloped land and ancillary assets included in the Initial Assets. The number of Trust Units to be issued in satisfaction of the aforementioned various promissory notes was determined as a function of the outstanding PRL Common Shares divided by 6 resulting in 9,909,767 Trust Units to be issued on the PRL dividend. The net asset value of the Initial Assets, $51,000,000, after deducting the $30,000,000 owing to PRL, divided by the 9,909,767 Trust Units results in a per Trust Unit value of $5.15. Other factors considered in the determination of the number of Trust Units to be issued included desired liquidity and the anticipated trading range of the Trust Units after the dividend and the closing of the rights offering and public distribution requirements of the TSX Exchange. The purchase price for the Additional Assets of $220,000,000 was calculated based on the present value, before income tax, of the expected future cash flows generated by the oil and natural gas properties included in the Additional Assets, discounted by 15% as derived from the escalating price reserve evaluation prepared by McDaniel effective July 1, 2002 and adjusted for the undeveloped land and ancillary assets included in the Additional Assets.

2. Basis of presentation:

The accompanying pro forma consolidated balance sheet of PET as at September 30, 2002 and the pro forma consolidated statements of earnings of PET for the nine month period ended September 30, 2002 and the year ended December 31, 2001 have been prepared by management of the Administrator (as agent for the trustee of PET) on behalf of PET in accordance with Canadian generally accepted accounting principles. In the opinion of management, the unaudited pro forma consolidated balance sheet and statements of earnings include all adjustments necessary for the fair presentation of the proposed transactions in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

These pro forma consolidated financial statements have been prepared using the same accounting policies as those applied by PRL during the applicable periods, including the application of successful efforts accounting for petroleum and natural gas operations, except as described below.

The pro forma consolidated financial information may not be indicative of the financial position and results of operations that would have occurred if the transactions described above had been completed on the dates indicated in these pro forma financial statements or the financial position or operating results which may be obtained in the future.

Canadian GAAP differs in certain respects from those in the United States. These differences, as they are expected to be applicable to PET, are described in note 6.

These pro forma financial statements are derived from the historic financial statements for PRL's activities in northeastern Alberta. While certain of PRL's properties in northeastern Alberta are not among the properties that are being acquired by PET, the historical financial statements of PRL's oil and gas activities in northeast Alberta have been prepared to include all of the properties in this core area (the "Northeast Alberta Properties"). As at September 30, 2002 and for the period from June 28, 2002 to September 30, 2002, PET operated as a wholly owned subsidiary of PRL and the results of operations of PET (consisting of administrative costs) are included within the results of operations of the Northeast Alberta Properties.

These pro forma financial statements present three scenarios assuming the exercise of 50 percent, 75 percent and 100 percent of the Rights, respectively. Shareholders who will beneficially own or exercise control or direction over, directly or indirectly, 4,931,787 Trust Units issued on the acquisition of the Initial Assets (49.77% of the issued and outstanding Trust Units) have entered into a Rights exercise agreement ("Rights Exercise Agreement") with PRL's lenders which obligates such shareholders to exercise all Rights held by or on behalf of them thereby subscribing for all Trust Units available to them under the Initial Subscription Privilege of the Rights Offering. All proceeds of the Rights Offering and estimated available bank financing are assumed to be applied to acquire a portion of PRL's interest in the Additional Assets in each scenario. To the extent that less than 100 percent of PRL's interest in the Additional Assets is acquired, PET intends to acquire a pro rata interest in each of the properties comprising the Additional Assets up to available financing. The agreements for the acquisition of the Initial Assets and the Additional Assets provide that cash flows generated from the activities of the properties for the period from July 1, 2002 to the date of the closing of the acquisitions, net of an amount for interest for the same period, accrue to PET. This cash that will accrue to PET for the period between July 1, 2002 and closing will be used together with the proceeds from the Rights Offering and bank borrowing to acquire an interest in the Additional Assets as follows:

(a) It is estimated that the proceeds of the Rights Offering, available bank financing and working capital will allow acquisition of 100 percent, 82.5 percent and 53.7 percent of PRL's interest in the Additional Assets, assuming exercise of 100 percent, 75 percent and 50 percent of the Rights, respectively.

3. Pro forma Consolidated Balance Sheet:

The pro forma consolidated balance sheet of PET as at September 30, 2002 is derived from the historical balance sheet of PRL's northeast Alberta core area as at September 30, 2002 as set out on page A-11. The pro forma consolidated balance sheet has been prepared assuming that the proposed transactions described in note 2 had been completed on September 30, 2002 resulting in the following:

(a) The acquisition by PET of natural gas properties in PRL's northeast Alberta area of activity. The acquired properties will comprise substantially all of PRL's operation in northeast Alberta other than certain exploration properties, producing gas properties in the Cold Lake Elizabeth area and shut-in gas properties in the Surmont area. The properties not acquired from PRL are referred to herein as the "Excluded Assets".

(b) The acquisition of the Initial Assets by POT for consideration of $81,000,000 which, subsequent to the dividend transaction described in note 1, will result in a $30,000,000 promissory note payable to PRL and 9,909,767 Trust Units outstanding.

(c) The completion of a rights offering for proceeds of $150,132,970 (net proceeds of $149,132,970) after deducting issue costs of $1,000,000 assuming exercise of 100 percent of the Rights. The following table outlines Trust Units issued under each of the Rights exercise scenarios described in note 2:

	Rights Exercised at		
	100%	75%	50%
Settlement of PET	1	1	1
Repayment of promissory note arising from acquisition of Initial Assets	6,636,045	6,636,045	6,636,045
Acquisition of indebtedness of POT	3,273,721	3,273,721	3,273,721
Rights Offering	29,729,301	22,296,976	14,864,651
	39,639,068	32,206,743	24,774,418

In order to qualify as a "unit trust" within the meaning of the Tax Act, the Trust Units must have conditions that require PET to accept, at the demand of the Unitholders and at prices determined in accordance with the conditions, the surrender of the Trust Units. Unitholders may redeem their Trust Units at any time by delivering the unit certificates to the Trustee. The redemption amount per Trust Unit properly delivered to the Trustee will be the lesser of 90% of the weighted average trading price of the Trust Units on the principal market on which they are traded for the 10 day period after the Trust Units have been validly tendered and the "closing market price". The "closing market price" will be the closing price of the Trust Units on the principal market on which they are traded on the date on which they were validly tendered for redemption, or, if there was no trade of the Trust Units on that date, the average of the last bid and ask prices of the Trust Units on that date.

In the event that the aggregate redemption value of Trust Units tendered for redemption in a calendar month exceeds $100,000, the administrator of the Trust may elect to pay the redemption amounts by the issue of promissory notes of PET with an aggregate principal amount equal to the aggregate redemption amount. The promissory notes will be unsecured, will bear interest at a market rate to be determined at the time of issuance, and will be due and payable 5 years after the date of issuance.

The Trust Units are considered to be an equity instrument, even though the issuer has an obligation to redeem it under certain circumstances, because it constitutes a residual claim on equity subordinate to all other interests in the assets of the Trust. The amounts will be recorded as a financial liability, if and when the holder elects to redeem the Trust Units.

(d) A syndicate of financial institutions have agreed pursuant to the terms and conditions of a commitment letter to provide PET with a demand revolving credit facility in the maximum amount of $100,000,000 including a $10,000,000 working capital component. The exact amount of such credit facility will be determined by PET's lenders determination of PET's borrowing base of oil and gas properties at the Rights Expiry Time and one week prior to the Rights Expiry Time they will provide notice of the borrowing base that would be applicable assuming exercise of 100%, 75% and 50% of the rights. The provision of funds by PET's lenders to POT is conditional, among other things, upon the execution of industry standard documentation, customary conditions for a financing of this type and a satisfactory due diligence review. In addition, funding is conditional upon the exercise of all rights under the Rights Exercise Agreement, which obligates holders of approximately 48.53% of the rights which will become outstanding to exercise such rights, and the concurrent closing of the Take-Up Agreement and repayment of the $30,000,000 POT will owe to PRL.

Actual borrowings under the credit facility will be limited to a borrowing base as determined from time to time by the lenders and will bear a rate of interest to be negotiated between PET and its lenders from time to time. PET's lenders provided estimates on October 15, 2002 of the initial credit availability of $100,000,000, $81,250,000 and $62,500,000, assuming exercise of 100 percent, 75 percent and 50 percent of the Rights respectively, based on their assessment of applicable factors and assumptions at that time.

(e) Under the credit facility PET will pay interest rates and commitment fees on undrawn amounts at rates agreed by our lenders and us from time to time. Under the proposed credit facility, interest on Canadian dollar borrowings will initially be payable at the lesser of the lenders' 30 to 90 day bankers acceptance discount rate plus 1.75% (for issuances of bankers acceptances) or the prime lending rate of the agent for the lenders plus 0.75% (for prime based borrowings). Commitment fees will be payable on undrawn amounts under the proposed credit facility at the rate of 0.275% per annum.

(f) In accordance with Canadian generally accepted accounting principles, the acquisitions and the related provision for site restoration and abandonment were recorded in the consolidated statements of PET at their corresponding net book values of $237,090,000, $203,392,000 and $148,246,000 in the consolidated financial statements of PRL at the time of the transfer assuming exercise of 100 percent, 75 percent and 50 percent of the rights, respectively. This results in a reduction in the carrying amount recorded for the Initial Assets of $35,922,000, $23,076,000 and $15,038,000, assuming exercise of 100 percent, 75 percent and 50 percent of the rights, respectively.

(g) In accordance with generally accepted accounting principles, the acquisitions were recorded in the consolidated statements of PET at their corresponding net book values. The excess of the consideration paid over the net book value was recorded as a reduction of unitholders' equity in each scenario.

(h) The accounts receivable and accounts payable related to the Northeast Alberta Properties as at July 1, 2002 will not be assumed by PET and they have therefore been eliminated from the pro forma consolidated balance sheet.

(i) PRL's hedging activities are a corporate activity and none of the existing PRL hedges will be assumed by PET. All hedging items have therefore been eliminated from the pro forma consolidated balance sheet.

(j) For income tax purposes, PET is able to, and intends to, claim a deduction for all amounts paid or payable to unitholders, and then to allocate remaining taxable income, if any, to the unitholders. Accordingly no current or future income taxes have been included in the pro forma financial statements.

4. Pro forma Consolidated Statement of Earnings:

The pro forma consolidated statements of earnings for the nine month period ended September 30, 2002 and the year ended December 31, 2001 have been prepared assuming that the proposed transactions described in note 1 had been completed on January 1, 2001 and that PET was in operation through the periods. The amounts included in these pro forma financial statements have been derived from the historical financial statements of PRL's northeast Alberta core area for the periods indicated as follows:

(a) Revenue from the sales of natural gas, royalties and operating costs have been derived from the accounting records of PRL for the applicable periods. PRL is a Canadian petroleum and natural gas resource company involved in the exploration, development and production of petroleum and natural gas in Canada and the United States. The Initial Assets and the Additional Assets comprised approximately 40 percent of PRL's operations (by production volumes) during the nine-month period ended September 30, 2002. The amounts recorded for sales revenue, royalties and operating costs for properties included in the Initial Assets and the Additional Assets were recorded on a property by property basis in the financial records of PRL. The recorded amounts derived from PRL's records have not been adjusted for purposes of these pro forma financial statements. As described in note 2, these pro forma financial statements have been prepared to present the pro forma results of operations applicable to the exercise of 100 percent, 75 percent and 50 percent of the rights and the respective acquisition of 100 percent, 82.5 percent and 53.7 percent of PRL's interest in the Additional Assets. PET expects to deal with the same or similar natural gas purchasers and industry service providers and on similar terms as PRL had historically with respect to the Northeast Alberta Properties. No other significant operating or contractual arrangements are expected to change to the extent that the revenue or cost structure of the Initial Assets or Additional Assets would be changed materially following their acquisition by PET.

The reserves in the Corner and Quigley properties, part of the Additional Assets, were dedicated to a gas purchase contract between PRL and a third party cogeneration facility. As other reserves of PRL which are not part of the Initial Assets or the Additional Assets were also dedicated to this contract, other PRL reserves not to be transferred to PET were substituted for the Corner and Quigley reserves with third party consent. PET anticipates that it will market the Corner and Quigley gas under arrangements similar to that already in existence for the other gas production from the remainder of the Additional Assets and that the realized price will not differ materially from that under the current gas purchase contract for those properties. Revenue and earnings from the Corner and Quigley properties were as follows:

PARAMOUNT ENERGY TRUST
Notes to Pro forma Consolidated Financial Statements
(dollar amounts in Cdn$ except as noted)

($000's)		Nine Months Ended September 30, 2002		Year Ended December 31, 2001
Revenue	$	15,433	$	43,663
Earnings	$	9,618	$	31,046

(b) PRL's hedging activities are a corporate activity and none of the existing PRL hedges will be assumed by PET. As PET may enter into hedging activities in the future, PRL's hedging gains and losses have been allocated to the Northeast Alberta Properties based on relative production volumes.

(c) During 2000, the Alberta Energy and Utilities Board (the "AEUB") issued a decision regarding the Surmont natural gas bitumen co-production issue. The Surmont property is in northeast Alberta, is not acquired by PET and is one of the Excluded Assets. As a result of this decision, the AEUB ordered the shut-in of approximately 22 mmcf/d of PRL's production. On February 28, 2002 PRL and other Surmont gas producers entered into a Memorandum of Understanding with the Province of Alberta effective May 1, 2000. The Memorandum provided for the compensation of approximately $85 million to be paid to PRL and the other Surmont producers by the Alberta Crown, as well as granting to the Province of Alberta an 11% gross overriding royalty encompassing certain wells, land and leases affected by the shut-in order of May 1, 2000. In June 2002, PRL received approximately $46 million from the Province of Alberta as compensation for its proportionate share of the settlement. The cash settlement, net of the book value of associated wells, lands and leases in the affected area, has been recorded as a gain of $37.3 million in net earnings in the current period. As this settlement relates to the Excluded Assets it is not included in the pro forma statements of earnings.

(d) The amounts included in these pro forma statements of earnings for general and administrative costs have been determined on the basis of an allocation of actual costs incurred by PRL. General and administrative costs of PRL are considered corporate costs and are not allocated or assigned to particular properties. During the nine month period ended September 30, 2002 and the year ended December 31, 2001 PRL incurred general and administrative costs, before costs associated with share appreciation rights, of $0.12 per mcf. The amounts recorded in these pro forma statements of earnings have been determined on the basis of $0.12 per mcf of production from the properties included the Initial Assets and the Additional Assets. As PET has a separate Trust Unit incentive plan, the amounts applicable to PRL's share appreciation rights plan have been excluded from these calculations. POT entered into an agreement (the "Administrative Services Agreement") effective August 1, 2002 with PRL under which PRL will provide to POT certain administrative, financial, accounting, land management, engineering and other technical services for a transitional period to end on April 1, 2003 and the Administrator on POT's behalf will provide to PRL certain administrative, financial, accounting, land management, engineering and other technical services relating to the Initial Assets and the Additional Assets and the business and affairs of PRL for a transitional period to end on April 1, 2003. POT will reimburse PRL, and PRL will reimburse POT, for the reasonable expenditures and costs that either incur in rendering such services, including general and administrative costs and expenses. Neither party will charge fees over and above such costs and expenditures. As the operations of PET and its subsidiaries will not differ materially from those of PRL related to the Initial and Additional Assets

and the administration of a public oil and gas company, PET's unit administrative expenses are expected to approximate the historical experience of PRL.

The personnel and administrative structure required to manage the assets acquired are not expected to vary significantly should less than 100 percent of PRL's interest in the Additional Assets be acquired. Consequently total pro forma general and administrative expense is held constant assuming exercise of 100 percent, 75 percent and 50 percent of the Rights respectively.

(e) The amounts recorded for depletion, depreciation and amortization have been based on the historic costs recorded by PRL for the Initial Assets and the Additional Assets, the production volumes during the period and PRL's estimates of proved reserves during the periods presented. PET will follow the successful efforts method of accounting as did PRL. Under the successful efforts method of accounting, dry hole costs, lease rentals and geological and geophysical expenses are charged to earnings as incurred. Under the successful efforts method of accounting, a cost recovery test is applied on a property or project basis and is based on the estimated recoverable value of the properties.

In accordance with Canadian generally accepted accounting principles, the book value of the assets of PET will be determined as if PET had owned the Initial Assets and the Additional Assets since the date of acquisition or development by PRL.

(f) The amounts recorded for future site restoration costs have been recorded on a unit-of-production basis for the Initial Assets and the Additional Assets using estimated costs, production volumes during the period and estimates of proved reserves as estimated by PRL during the periods presented.

(g) The amounts included in these pro forma consolidated statements of operations for interest expense have been based on the bank loans assumed to exist on the completion of the transactions and current interest rates under the proposed credit facility of PET, being 4.25%. A change of 1/8% in interest rates would change pro forma interest expense by $78,000, $102,000 and $125,000 assuming exercise of 50%, 75% and 100% of the rights, respectively. The average amount of bank debt assumed to be outstanding was $100,000,000, $81,250,000 and $62,500,000 assuming exercise of 100 percent, 75 percent and 50 percent of the rights respectively, for the nine-month period ended September 30, 2002 and for the year ended December 31, 2001. This amount does not include amounts relating to the net income of the properties to be received from July 1, 2002 until the completion of the transactions which will be received by PET upon completion of the transactions.

(h) For income tax purposes, PET is able to, and intends to, claim a deduction for all amounts paid or payable to unitholders, and then to allocate remaining taxable income, if any, to the unitholders. Accordingly no current or future income taxes have been included in the pro forma income statements. As PET and POT are both trusts, they will not be subject to Canadian Large Corporations Tax. Accordingly such amounts have not been included in the pro forma financial statements.

5. Unit Incentive Plan

PET has adopted a unit incentive plan which permits the Administrator's board of directors to grant non-transferrable rights to purchase Trust Units ("Incentive Rights") to its and affiliated entities', employees, officers, directors and other service providers. The purpose of the unit incentive plan is to provide an effective long-term incentive to eligible participants and to reward them on the basis of PET's long-term performance and distributions. The Administrator's board of directors will administer the unit incentive plan and determine participants, numbers of Incentive Rights and terms of vesting. The grant price of the Incentive Rights (the "Grant Price") shall equal the per Trust Unit closing price on the trading date immediately preceding the date of the grant, unless otherwise permitted. The holder of the Incentive Rights may elect to reduce the strike price of the Incentive Rights (the "Strike Price"), such reduction determined by deducting from the Grant Price the aggregate amounts of all distributions on a per Trust Unit basis that PET pays its unitholders after the date of grant which represent a return of more than 2.5% per quarter on PET's consolidated net fixed assets on its balance sheet at each calendar quarter end. The Strike Price will be adjusted on a quarterly basis and in no case may it be reduced to less than $0.001 per Trust Unit.

PET intends to initially grant 1,003,000 rights to purchase PET Trust Units to directors, officers and employees of the Administrator.

For purposes of Canadian generally accepted accounting principles, PET will account for the incentive rights granted to employees or directors of PET and its subsidiaries by the settlement method under which no amount will be recorded at the time the incentive rights are granted. Proceeds received on the exercise of the rights will be added to unitholders' equity.

The incentive rights will only be dilutive to the calculation of income per Trust Unit if the exercise price is below the fair value of the unit. For purposes of these pro forma consolidated financial statements, it has been assumed that the incentive rights will not be materially dilutive.

6. United States generally accepted accounting principles:

PET's pro forma consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Cdn GAAP") which differ in some respects to those in the United States ("US GAAP"). The following tables summarize the effects of those differences:

Pro Forma Statement of Earnings

Year Ended December 31, 2001
(Cdn$000)

		Rights @ 100%			Rights @ 75%			Rights @ 50%		
		Cdn GAAP	Adjustments	US GAAP	Cdn GAAP	Adjustments	US GAAP	Cdn GAAP	Adjustments	US GAAP
Revenue:										
Sales of Natural Gas		$228,283	-	$228,283	$193,211	-	$193,211	$135,848	-	$135,848
Hedging	6(b)	8,838	4,929	13,767	7,480	4,297	11,777	5,259	3,262	8,521
Royalties		(45,761)	-	(45,761)	(39,288)	-	(39,288)	(28,701)	-	(28,701)
		191,360	4,929	196,289	161,403	4,297	165,700	112,406	3,262	115,668
Expenses:										
Operating		32,870	-	32,870	27,912	-	27,912	19,804	-	19,804
General and Administrative	6(c)	4,498	6	4,504	4,498	7	4,505	4,498	10	4,508
Interest		4,250	-	4,250	3,453	-	3,453	2,656	-	2,656
Dry Hole		507	-	507	418	-	418	272	-	272
Lease Rentals		2,105	-	2,105	1,787	-	1,787	1,268	-	1,268
Geological and Geophysical		848	-	848	699	-	699	456	-	456
Loss on Sale of Property		134	-	134	110	-	110	72	-	72
Depletion and Depreciation		36,439	-	36,439	31,258	-	31,258	22,785	-	22,785
Site Restoration		1,028	-	1,028	881	-	881	642	-	642
		82,679	6	82,685	71,016	7	71,023	52,453	10	52,643
Net Earnings		108,681	4,923	113,604	90,387	4,290	94,677	59,953	3,252	63,205
Net Earnings per Trust Unit										
Basic		$2.74		$2.87	$2.81		$2.94	$2.42		$2.55
Diluted		$2.74		$2.87	$2.81		$2.94	$2.42		$2.55

Pro Forma Statement of Earnings

Nine Months Ended September 30, 2002
(Cdn$000)

		Rights @ 100%			Rights @ 75%			Rights @ 50%		
		Cdn GAAP	Adjustments	US GAAP	Cdn GAAP	Adjustments	US GAAP	Cdn GAAP	Adjustments	US GAAP
Revenue:										
Sales of Natural Gas		$83,163	-	$83,163	$71,643	-	$71,643	$52,800	-	$52,800
Hedging	6(b)	16,724	(1,140)	15,584	14,407	(994)	13,413	10,618	(754)	9,864
Royalties		(13,597)	-	(13,597)	(11,838)	-	(11,838)	(8,959)	-	(8,959)
		86,290	(1,140)	85,150	74,212	(994)	73,218	54,459	(754)	53,705
Expenses:										
Operating		21,500	-	21,500	18,424	-	18,424	13,392	-	13,392
Surmont Compensation, net		-	-	-	-	-	-	-	-	-
General and Administrative	6(c)	3,149	5	3,154	3,149	5	3,154	3,149	8	3,157
Interest		3,179	-	3,179	2,789	-	2,789	2,150	-	2,150
Dry Hole		246	-	246	203	-	203	132	-	132
Lease Rentals		1,211	-	1,211	1,038	-	1,038	754	-	754
Geological and Geophysical		367	-	367	303	-	303	197	-	197
Loss on Sale of Property		134	-	134	110	-	110	72	-	72
Depletion and Depreciation		37,794	-	37,794	32,421	-	32,421	23,633	-	23,633
Site Restoration		612	-	612	525	-	525	382	-	382
		68,192	5	68,197	58,962	5	58,967	43,861	8	43,869
Net Earnings		18,098	(1,145)	16,953	15,250	(999)	14,251	10,598	(762)	9,836
Net Earnings per Trust Unit										
Basic		$ 0.46		$ 0.43	$ 0.47		$ 0.44	$ 0.43		$ 0.40
Diluted		$ 0.46		$ 0.43	$ 0.47		$ 0.44	$ 0.43		$ 0.40

There are no differences between Canadian and United States GAAP on the pro forma balance sheet at September 30, 2002.

(a) Classification of Unitholders' Equity:

Under US GAAP, the amount included on the pro forma balance sheet for unitholders' equity would be reduced by an amount equal to the redemption value of the units as at the balance sheet date. As the redemption value is dependent on the trading value of the units as at the date they are presented for redemption and for a period thereafter, and the trust units do not yet have a trading value, it is not possible to determine the amount that would have been recorded as a liability if the transaction had been completed as at September 30, 2002. However, if the units had been trading at prices at or above the average book value per unit substantially all of the amount included in unitholders' equity would have been treated as temporary equity reclassified as a liability. In future periods, the redemption value of the Units will be determined with respect to the trading value of the Units as at each balance sheet date, and the amount of the redemption value will be classified as temporary equity. Increases, if any, in the redemption value during a period would result in a charge to permanent equity and would be reflected in computing earnings available to Unitholders for the period.

(b) Accounting for Derivative Instruments and Hedging Activities (FAS 133):

Under US GAAP, PET is required commencing January 1, 2001 to account for derivative instruments and hedging activities in accordance with FAS 133 which requires that all derivatives be recognized as assets and liabilities on the balance sheet and measured at fair value. Gains or losses, including unrealized amounts, on derivatives that have not been designated as hedges, or were not effective as hedges, are included in income as they arise.

For derivatives designated as fair value hedges, changes in the fair value are recognized in earnings together with equal or lesser amounts of changes in the fair value of the hedged item.

For derivatives designated as cash flow hedges, changes in the fair value of the derivatives are recognized in other comprehensive income until the hedged items are recognized in earnings. Any portion of the change in the fair value of the derivatives that is not effective in hedging the changes in future cash flows is included in earnings each period. As PRL did not contemplate the preparation of US GAAP financial statements at the time the derivative instruments were entered into, and the required hedge accounting documentation was not prepared, the derivatives entered into by PRL did not qualify as hedges for US GAAP purposes. As described above, gains or losses including unrealized amounts on the portion of PRL's derivatives allocated to the Initial and Additional Assets are included in income as they arise under US GAAP. As none of the derivative contracts of PRL as at September 30 are to be acquired by PET, there are no associated adjustments to the pro forma consolidated balance sheet.

(c) Unit Incentive Plan:

PET intends to initially grant 1,003,000 rights to purchase PET Trust Units to directors, officers and employees of the Administrator. Each right will have an exercise price of $5.05 per Trust Unit, being the rights exercise price. FAS 123, "Accounting for Stock-Based Compensation", establishes financial accounting and reporting standards for stock-based employee compensation plans as well as transactions in which an entity issues its equity instruments to acquire goods or services from non-employees. As permitted by the FAS 123, PET has elected to follow the intrinsic value method of accounting for stock-based compensation arrangement, as provided for in Accounting Principles Board Opinion 25 ("APB 25").

For purposes of Canadian generally accepted accounting principles, PET will account for the incentive rights granted to employees or directors of PET and its subsidiaries by the settlement method under which no amount will be recorded at the time the incentive rights are granted. Proceeds received on the exercise of the rights will be added to unitholders' equity. For purposes of United States generally accepted accounting principles, the incentive rights will be accounted for by the variable plan method of accounting. In each quarter, the excess if any, of the fair value of the Trust Units over the exercise price as at the end of the quarter will be determined and recorded as a charge to earnings over the remaining vesting period. The implied Trust Unit value of all Trust Units outstanding following the rights offering would be $5.07, $5.08 and $5.09 assuming exercise of 100%, 75% and 50% of the rights, respectively. The excess of the implied value of the incentive rights over the exercise price results in a charge to general and administrative expense in each of the pro forma periods.

(d) Future Removal and Site Restoration Costs:

The amounts recorded for future site restoration costs have been recorded on a unit-of-production basis for the Initial Assets and the Additional Assets using PRL's estimated costs, production volumes and estimates of proved reserves during the period.

Beginning on January 1, 2003, PET will be required to adopt FASB Statement No. 143 "Accounting for Asset Retirement Obligations" ("FAS 143"), which addresses financial accounting and reporting for obligations associated with the retirement of tangible costs. The standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and use of the asset. FAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset. The liability is accreted at the end of each period through charges to operating expenses.

The amount recorded for future removal and site restoration costs in these pro forma consolidated financials statements has been determined providing for the estimated future site restoration costs (undiscounted) on a unit of production basis over the life of the associated properties. It is expected that the application of FAS 143 will result in an increase in the amount of the liability recorded for future site restoration costs, and an increase in the carrying amount of the assets for the costs that would have been recorded less any applicable depletion and depreciation. The difference will be recorded as at January 1, 2003 as a cumulative catch up adjustment to income.

The amount to be recorded as the fair value of the liability has been estimated at $9 million representing the discounted value of the total estimated future liability for dismantlement, restoration and abandonment of wells and facilities comprising the Initial Assets and Additional Assets of approximately $18 million.

(e) Impairment or Disposal of Long-Term Assets:

In August 2001, the FASB issued Statement No. 144 "Accounting for the Impairment or Disposal of Long-term Assets" ("FAS 144"), which addresses the financial accounting and reporting for the impairment or disposal of long-lived assets. FAS 144 supercedes but retains the basic principle of Statement No. 121 for the impairment of assets to be held and used. Assets to be disposed of through abandonment or an exchange for similar productive assets will be classified as held for use until they cease to be used. FAS 144 establishes criteria that must be met in order to classify an asset or group as held for sale. Assets classified as held for sale will be measured at the lower of their carrying amount or fair value less cost to sell, and depreciation will cease when the asset or group is classified as held for sale. FAS 144 broadens the definition of disposals to be presented as discontinued operations to include components of an entity that comprise operating and cash flows that clearly can be distinguished, operationally and for financial reporting purposes from the rest of the entity. While FAS 144 may result in differences in future periods, it does not have any impact on these pro forma financial statements.

(f) Oil and Gas Reserve Information:

Based on October 2002 average production and the reserves described above, the constant rate reserve life (proved reserves divided by production volume) of the net proved reserves ascribed to the Initial Assets is 7.9 years and the constant rate reserve life of the net proved reserves ascribed to the Additional Assets is 4.0 years.

The following table presents the proved reserve quantities and standardized measure of future net cash flows to be acquired under each pro forma scenario at July 1, 2002;

	Initial Assets	Additional Assets			Total Acquired		
		Rights @ 100%	Rights @75%	Rights @ 50%	Rights @ 100%	Rights @75%	Rights @ 50%
Net proved natural gas reserves (bcf)	38.8	91.5	75.4	49.2	130.3	114.2	88.0
(Cdn$000)							
Future Cash Inflows	$ 124,633	$ 272,770	$ 224,899	$ 146,559	$ 397,403	$ 349,532	$ 271,192
Future Production and Development Costs	(58,127)	(139,243)	(114,805)	(74,815)	(197,370)	(172,932)	(132,942)
Future Net Cash Flows	66,506	133,527	110,094	71,744	200,033	176,600	138,250
Deduct: 10% Annual Discount Factor	(18,433)	(30,482)	(25,133)	(16,378)	(48,915)	(43,566)	(34,811)
Standardized Measure of Future Net Cash Flows	$48,073	$ 103,045	$ 84,961	$ 55,366	$ 151,118	$ 133,034	$ 103,439