



NEWS RELEASE

PARAMOUNT ENERGY TRUST ANNOUNCES CLOSING OF \$144 MILLION BOUGHT DEAL FINANCING

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Calgary, Alberta – August 10, 2004 (TSX – PMT.UN) Paramount Energy Trust ("PET" or the "Trust") announced today the closing of its previously announced "bought deal" financing. At closing, a total of 7,795,547 subscription receipts (the "Subscription Receipts") at a price of \$12.35 per Subscription Receipt for gross proceeds of \$96,275,005 (which includes the full exercise by the underwriters of their option to purchase an additional 1,295,547 Subscription Receipts) and \$48 million principal amount of 8% convertible extendible unsecured subordinated debentures (the "Debentures") (which includes the full exercise by the underwriters of their option to purchase an additional 8,000 Debentures) were issued. The Subscription Receipts and Debentures are listed and posted for trading on the TSX under the symbols "PMT.R" and "PMT.DB", respectively.

Each Subscription Receipt represents the right to receive one PET trust unit upon the completion of the acquisition by the Trust of certain petroleum and natural gas properties and related assets in Northeast Alberta (the "Athabasca Acquisition"). The Athabasca Acquisition is expected to close on or about August 17, 2004, with an effective date of July 1, 2004.

The gross proceeds from the offering of Subscription Receipts have been deposited in escrow pending closing of the Athabasca Acquisition. If the acquisition closes on or before September 30, 2004, the gross proceeds will be released to PET and used to pay part of the purchase price of the Athabasca Acquisition. If the Athabasca Acquisition closes by September 30, 2004, holders of Subscription Receipts will receive a payment equivalent to the amount of any cash distributions to unitholders of PET for which record dates occur between the closing of the offering and the closing of the Athabasca Acquisition. If the Athabasca Acquisition fails to close by September 30, 2004, the Athabasca Acquisition is terminated at any earlier time or PET has advised the underwriters or announced to the public that it does not intend to proceed with the acquisition, PET will return to holders of Subscription Receipts the issue price and their *pro rata* entitlement to interest thereon.

The Debentures have a face value of \$1,000 per Debenture, a coupon of 8.0%, a final maturity date, if extended, of September 30, 2009, and are convertible into trust units of PET at a price of \$14.20 per trust unit. The initial maturity date of the Debentures is September 30, 2004, with an automatic extension to September 30, 2009, upon the closing of the Athabasca Acquisition. If the Athabasca Acquisition does not close on or before September 30, 2004, or if the Athabasca Acquisition is terminated at any earlier time, the Debentures will mature on the initial maturity date. The Debentures pay interest semi-annually on March 31 and September 30, with the initial interest payment on March 31, 2005.

The offering was underwritten by an underwriting syndicate co-led by BMO Nesbitt Burns Inc. and CIBC World Markets Inc. and included TD Securities Inc., Scotia Capital Inc., National Bank Financial Inc.,

FirstEnergy Capital Corp., Peters & Co. Limited, First Associates Investments Inc., GMP Securities Ltd. and Raymond James Ltd.

The net proceeds of the offering will be used by the Trust to pay a portion of the purchase price of the Athabasca Acquisition.

Paramount Energy Trust is a natural gas-focussed Canadian energy trust. PET's trust units are listed on the TSX under the symbol "PMT.UN". Further information with respect to PET can be found at its website at www.paramountenergy.com.

The Subscription Receipts and the Debentures have not been registered under the U.S. Securities Act and were not offered or sold in the United States except pursuant to exemptions from the registration requirements of such Act.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.

ADVISORY: Certain information regarding Paramount Energy Trust including management's assessment of future plans and operations, may constitute forward-looking statements under applicable securities law and necessarily involve risks, including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions and ability to access sufficient capital from internal and external source; as a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Paramount's operations or financial results are included in Paramount's reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), at Paramount's website (www.paramountenergy.com) or by contacting Paramount. Furthermore, the forward-looking statements contained in this news release are made as of the date of this news release, and Paramount does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise.