



NEWS RELEASE

PARAMOUNT ENERGY TRUST CONFIRMS JANUARY 2006 DISTRIBUTION

Calgary, Alberta – January 20, 2006 (TSX – PMT.UN) Paramount Energy Trust (“PET” or “the Trust”) is pleased to confirm that its distribution to be paid on February 15, 2006 in respect of income received by PET for the month of January 2006, for Unitholders of record on January 31, 2006, will be \$0.24 per Trust Unit. The ex-distribution date is January 27, 2006. This brings cumulative distributions paid since the inception of the Trust to-date to \$8.024 per Trust Unit.

PET continues to project that monthly cash distributions are sustainable at \$0.24 per Trust Unit for the foreseeable future given PET’s current hedges and physical forward natural gas sales, the forward market for natural gas prices and the Trust’s opportunity inventory for production additions to offset natural production declines from PET’s base assets. With the Trust’s current estimates for production, natural gas prices and cash flow, this level of distribution reflects a payout ratio for 2006 of approximately 70 percent of PET’s estimated distributable income. Future distributions are subject to change as dictated by changes in commodity price markets, operations and future business development opportunities.

PET mailed an Offer and Takeover Bid Circular to AcquireCo’s shareholders, outlining the terms of the Offer, on January 11, 2006. It is expected that the transaction will close in February 2006.

Paramount Energy Trust is a natural gas-focused Canadian energy trust. PET's Trust Units and convertible debentures are listed on the Toronto Stock Exchange under the symbols PMT.UN, PMT.DB and PMT.DB.A. Further information with respect to PET can be found at its website at www.paramountenergy.com.

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 PET 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 PET’s operations or financial results are included in PET’s reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), at PET’s website (www.paramountenergy.com) or by contacting Paramount Energy Trust. Furthermore, the forward-looking statements contained in this news release are made as of the date of this news release, and PET 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.