



NEWS RELEASE

PARAMOUNT ENERGY CONFIRMS OCTOBER 2008 DISTRIBUTION, SUSPENDS DISTRIBUTION REINVESTMENT PLAN FOR OCTOBER 2008, UPDATES HEDGING AND ANNOUNCES EXECUTIVE APPOINTMENT

Calgary, AB – October 17, 2008 (TSX – PMT.UN) Paramount Energy Trust (“PET” or the “Trust”) is pleased to confirm that its distribution to be paid on November 17, 2008 in respect of income received by PET for the month of October 2008, for Unitholders of record on October 31, 2008, will be \$0.10 per Trust Unit. The ex-distribution date is October 29, 2008. The October distribution brings cumulative distributions paid since the inception of the Trust to \$12.924 per Trust Unit. The Trust also announces that there will be no Trust Units available under its Distribution Reinvestment and Optional Trust Unit Purchase Plan (“DRIP”) for the Trust’s October distribution payable on November 17, 2008 and until further notice. As a result of this suspension, Unitholders that had elected to participate in the DRIP in the past and were currently enrolled will now receive cash distributions on the payment date. Should the Trust elect to reinstate the DRIP, Unitholders that were enrolled at suspension and remain enrolled at reinstatement will automatically resume participation in the DRIP. Paramount Energy Trust’s distribution policy remains unchanged.

Natural gas prices continue to be highly volatile. PET closely monitors the market drivers with respect to natural gas prices and will continue to proactively manage the Trust’s forward price exposure to meet PET’s strategy of protecting the level of the Trust’s monthly distributions and managing the balance sheet, enhancing or protecting the economics of acquisitions and capital programs, and capitalizing on perceived market anomalies. Financial and physical forward sales arrangements, all at the AECO trading hub as at October 16, 2008 are as follows:

Type of contract	Volumes at AECO ⁽²⁾ (GJ/d)	% of 2008E Production ⁽³⁾	Price (\$/GJ)	Current Forward Price ⁽⁴⁾ (\$/GJ)	Term
Financial	73,500		7.68		November 2008 – March 2009
Physical	2,500		8.37		November 2008 – March 2009
Period total, net⁽¹⁾	76,000	37	7.71	7.15	November 2008 – March 2009
Financial	62,500		8.60		April – October 2009
Period total, net⁽¹⁾	62,500	30	8.60	7.30	April – October 2009
Financial	47,500		9.11		November 2009 – March 2010
Period total, net⁽¹⁾	47,500	23	9.11	8.37	November 2009 – March 2010
Financial	37,500		7.58		April – October 2010
Period total, net⁽¹⁾	37,500	18	7.58	7.60	April – October 2010

⁽¹⁾ Weighted average prices are calculated by netting the volumes of the lowest-priced financial and physical sold/bought contracts together and measuring the net volume at the weighted average “sold” price for the remaining financial and physical contracts. Included in the November 2008 – March 2009 volume summary is a collar to sell forward 5,000 GJ/d at a floor price of \$7.00 per GJ at AECO and a ceiling price of \$8.00 per GJ. The current forward price is used in the weighted average price calculation for this collar.

⁽²⁾ All transactions at AECO unless identified specifically as a NYMEX transaction.

⁽³⁾ Calculated using 205 MMcf/d and includes actual and gas over bitumen deemed projected production volumes.

⁽⁴⁾ Average AECO forward price for November through December 2008 as at October 17, 2008 is \$6.93 per GJ.

Based on current and forward market natural gas prices, PET's current monthly distribution level is highly sustainable. Incorporating PET's current hedging portfolio and forward natural gas prices into the Trust's production, operations and cash flow forecasts for 2008, the current level of distribution represents a payout ratio of approximately 58 percent for the remainder of 2008. In addition, at the end of September PET crystallized approximately thirty percent of its winter 2008-2009 and summer 2009 financial forward sales position, realizing net proceeds of \$11.2 million. Bank debt at year end is forecast to be less than \$280 million drawn on the Trust's current bank credit capacity of \$410 million, which has been reaffirmed through to the next annual redetermination at April 30, 2009 by the Trust's lenders. PET reviews distributions on a monthly basis. Future distributions are subject to change as dictated by changes in commodity price markets, operations and future business development opportunities. The Trust continues to focus on what we believe is a sustainable distribution model that balances short term cash returns to our Unitholders and long term value creation through capital reinvestment.

PET is also pleased to announce the appointment of Mr. Tim Granger to the role of Chief Operating Officer and Vice President, Asset Optimization. Mr. Granger most recently held the office of Managing Director for the Abu Dhabi National Energy Company's TAQA North Business Unit following their acquisition of PrimeWest Energy Trust in early 2008. Mr. Granger joined PrimeWest in 1999 and held the role of Chief Operating Officer with overall responsibility for Development and Production Operations. Mr. Granger has more than 27 years of extensive experience in exploitation, production operations and asset management with leading companies including Petro-Canada, Amerada Hess Canada Ltd., Dynex Petroleum Ltd., Canterra Energy Ltd. and Dome Petroleum Limited. Mr. Granger holds a P.Eng. (Mechanical) from Carleton University.

Forward-Looking Information

Certain information regarding PET in this news release, including management's assessment of year end bank debt levels, production levels, cash flows, capital spending plans and payout ratios, may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, risks associated with gas exploration, development, exploitation, production, marketing and transportation, changes to the proposed royalty regime prior to implementation and thereafter, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, capital expenditure costs, including drilling, completion and facilities costs, unexpected decline rates in wells, delays in projects and/or operations resulting from surface conditions, wells not performing as expected, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources. 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 and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) and at PET's website (www.paramountenergy.com). Furthermore, the forward-looking statements contained in this news release are made as at the date of this news release and PET does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Non-GAAP Measures

This news release contains financial measures that may not be calculated in accordance with generally accepted accounting principles in Canada ("GAAP"). Readers are referred to advisories and further discussion on non-GAAP measures contained in the "Significant Accounting Policies and non-GAAP Measures" section of management's discussion and analysis.

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

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

FOR ADDITIONAL INFORMATION, PLEASE CONTACT:

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