



### **SUPPLEMENTAL MANAGEMENT INFORMATION CIRCULAR**

These materials are important and require your immediate attention. They require Debentureholders to make important decisions. If you are in doubt as to what decision to make, please contact your financial, legal, income tax or other professional advisors. If you have any questions or require more information, please contact Kingsdale Shareholder Services Inc., Computershare Trust Company of Canada or National Bank Financial Inc. using the information provided on the back cover.

**THE BOARD OF DIRECTORS OF PARAMOUNT ENERGY OPERATING CORP., THE ADMINISTRATOR OF PARAMOUNT ENERGY TRUST, UNANIMOUSLY RECOMMEND THAT DEBENTUREHOLDERS CONSENT TO/VOTE FOR THE REVISED DEBENTURE AMENDMENTS AS SET OUT IN THE SUPPLEMENTAL MANAGEMENT INFORMATION CIRCULAR.**

***TO CONSENT TO OR VOTE FOR THE REVISED DEBENTURE AMENDMENTS PLEASE MARK THE "CONSENTS TO/VOTE FOR" BOX ON THE ACCOMPANYING AMENDED WRITTEN CONSENT AND FORM OF PROXY AND SIGN AND DEPOSIT SUCH DOCUMENT IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT THEREIN AS SOON AS PRACTICABLE AND IN ANY EVENT BY DECEMBER 4, 2009.***

**November 24, 2009**

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## SUMMARY

*The following is a brief summary of certain information contained in this supplemental management information circular dated November 24, 2009 (the "**Supplemental Circular**"). Reference is made to, and this summary is qualified by, the detailed information contained in this Supplemental Circular and the original management information circular dated October 15, 2009 (the "**Original Circular**"). Debentureholders are encouraged to read this Supplemental Circular and the Original Circular and the attached **Appendices** carefully and in their entirety.*

### **The Rescheduled Debentureholder Meeting**

The Debentureholder Meeting has been rescheduled to December 7, 2009 to allow Debentureholders additional time to consider this Supplemental Circular and the Revised Debenture Amendments (as defined herein).

### **The Revised Debenture Amendments:**

- INCREASE, the annual coupon by 1.00% from 6.25% to 7.25%
- REDUCE, the conversion price to \$7.50
- PROVIDE A THREE YEAR NON CALL, prior to January 31, 2013
- ESTABLISH A FIVE YEAR TERM BY EXTENDING, the maturity date to January 31, 2015

### **Proxy Information**

**To Consent to or Vote for the Revised Debenture Amendments or to change a Consent to or Vote for the Original Debenture Amendments (as defined herein), Debentureholders can do so by using any of the methods outlined below:**

#### **By Mail or Fax:**

- Step 1. Mark the "CONSENTS TO/VOTES FOR" box in the accompanying Amended Written Consent and Form of Proxy OR previously provided Written Consent and Form of Proxy.
- Step 2. Sign and date the Amended Written Consent and Form of Proxy OR previously provided Written Consent and Form of Proxy.
- Step 3. Deposit with Computershare Trust Company of Canada, 100 University Avenue, 11th Floor, South Tower, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, as soon as practicable and in any event no later than 4:30 p.m. (Calgary time) on December 4, 2009 or fax at 1-866-545-5580.

#### **Via Financial Broker:**

Debentureholders may contact their broker or send their proxy or voting instruction form to their broker who can vote on the Debentureholder's behalf.

#### **By Telephone:**

English Telephone: 1-800-474-7493. French Telephone: 1-800-454-8683. The 12-digit control number located in the box on the voting instruction form will be required.

#### **By Internet:**

Log on to [www.proxyvote.com](http://www.proxyvote.com). The 12-digit control number located in the box on the voting instruction form will be required.

***If you have previously submitted a Written Consent and Form of Proxy and do not wish to revoke it or change your consent/vote, you need not take any action for your consent(s)/vote(s) to be counted.***

## INTRODUCTION

This Supplemental Circular amends and supplements the Original Circular. Except as otherwise set forth in this Supplemental Circular, the information contained in the Original Circular continues to be applicable in all respects and this Supplemental Circular should be read in conjunction with the Original Circular, the provisions of which (as hereby supplemented) are incorporated herein by reference (except as amended herein).

### **Information Contained in this Supplemental Circular**

No person has been authorized to give information or to make any representations in connection with the matters to be considered by the Debentureholders other than those contained in this Supplemental Circular and, if given or made, any such information or representations should not be relied upon in making a decision as to whether to consent to or vote for the Debentureholder Resolution or be considered to have been authorized by the Trust or the directors of the Administrator.

This Supplemental Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation.

***Debentureholders should not construe the contents of this Supplemental Circular as legal, tax or financial advice and should consult with their own professional advisors as to the relevant legal, tax, financial or other matters in connection herewith.***

The accompanying Amended Written Consent and Form of Proxy is for use by Debentureholders in connection with the Revised Debenture Amendments and Debentureholders are encouraged to complete, sign and deposit such document in accordance with the instructions set out therein.

### **Capitalized Terms**

***Unless the context indicates otherwise, capitalized terms which are used in this Supplemental Circular and not otherwise defined in this Supplemental Circular have the meanings given to such terms in the Original Circular.***

### **Notice to Debentureholders in the United States**

The Debentures have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**1933 Act**"), and the solicitation described in this Supplemental Circular is being made in the United States pursuant to the exemption from the registration requirements of the 1933 Act provided by Rule 802 thereunder. The Trust has filed with the SEC a Form CB in connection with the Revised Debenture Amendments.

This solicitation is made for the securities of a Canadian entity. The solicitation is subject to Canadian disclosure requirements that are different from those of the United States. In particular, this solicitation of proxies is being effected in accordance with Canadian securities laws and the Debenture Trust Indenture. This solicitation of proxies is not subject to Section 14(a) of the United States Securities Exchange Act of 1934, as amended (the "**1934 Act**"), and Debentureholders should be aware that the applicable requirements under Canadian corporate and securities laws may differ from the requirements applicable to registration statements under the 1933 Act and proxy statements under the 1934 Act.

Following the Revised Debenture Amendments, the Debentures held by Debentureholders will be "restricted securities" under the 1933 Act, and therefore subject to resale restrictions, to the same extent and proportion as the Debentures held by Debentureholders prior to the Revised Debenture Amendments.

The Trust is an unincorporated open-ended income trust established under the laws of the Province of Alberta, Canada. It may be difficult for you to enforce your rights and any claim you may have arising under the United States federal or state securities laws, as the Trust and the Administrator are organized or incorporated, as

applicable, under the laws of Alberta, Canada, all or most of their assets are located in Canada, and all of the officers and directors of the Administrator are residents of Canada. You may not be able to sue a foreign entity or its officers or directors in a foreign court for violations of U.S. federal or state securities laws. It may be difficult to compel a foreign entity and its affiliates to subject themselves to a U.S. court's judgment.

**You should be aware that the Revised Debenture Amendments may have tax consequences both in the United States and in Canada. Tax considerations applicable to Debentureholders subject to United States federal taxation have not been included in the Supplemental Circular, and such Debentureholders should consult their own tax advisors to determine the particular consequences to them of participating in the solicitation being made hereunder. For a summary of the applicable tax considerations under Canadian law, see "Certain Canadian Federal Income Tax Considerations" in the Original Circular.**

**You should be aware that the Trust or its affiliates may bid for or purchase securities otherwise than under this solicitation, such as in the open market or privately negotiated purchases, subject to applicable securities laws.**

**THIS TRANSACTION HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SEC, ANY STATE SECURITIES ADMINISTRATOR, OR ANY SECURITIES REGULATORY AUTHORITY IN CANADA, NOR HAS THE SEC, ANY STATE SECURITIES ADMINISTRATOR, OR ANY SECURITIES REGULATORY AUTHORITY IN CANADA PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

#### **Cautionary Statement Regarding Forward-Looking Statements**

Certain statements included herein constitute "forward-looking statements". All statements included in this Supplemental Circular that address future events, conditions or results of operations, including in respect of the Revised Debenture Amendments, are forward-looking statements. These forward-looking statements can be identified by the use of forward-looking words such as "may", "should", "will", "could", "expect", "intend", "plan", "estimate", "anticipate", "believe", "future" or "continue" or the negative forms thereof or similar variations. These forward-looking statements are based on certain assumptions and analyses made by management in light of their experiences and their perception of historical trends, current conditions and expected future developments, as well as other factors they believe are appropriate in the circumstances. Debentureholders are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of risks and uncertainties. Many of such risks and uncertainties are outside the control of the Trust and could cause actual results to differ materially from those expressed or implied by such forward-looking statements. In making such forward-looking statements, management has relied upon a number of material factors and assumptions, including with respect to general economic and financial conditions, interest rates, exchange rates, equity markets, business competition, changes in government regulations or in tax laws, acts and omissions of third parties and the ability of the Trust to obtain approval for the Revised Debenture Amendments. Such forward-looking statements should, therefore, be construed in light of such factors and assumptions. All forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth above. The Trust is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

#### **Non-GAAP Measures**

This Supplemental Circular makes reference to certain financial and operating measures that are not recognized by Canadian generally accepted accounting principles ("GAAP") to assist in assessing the Trust's financial and operating performance. Non-GAAP financial and operating measures do not have standardized meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

#### **Conventions**

In this Supplemental Circular, unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

Information contained in this Supplemental Circular is given as of November 24, 2009, unless otherwise specifically stated.

## **THE RESCHEDULED DEBENTUREHOLDER MEETING AND PROXY INFORMATION**

### **The Rescheduled Debentureholder Meeting**

The Debentureholder Meeting, presently scheduled to be held on December 2, 2009, has been rescheduled to December 7, 2009 to allow Debentureholders additional time to consider this Supplemental Circular and the Revised Debenture Amendments.

### **Proxy Information**

**To Consent to or Vote for the Revised Debenture Amendments or to change a Consent to or Vote for the Original Debenture Amendments, Debentureholders can do so by using any of the methods outlined below:**

#### ***By Mail or Fax:***

- Step 1. Mark the "CONSENTS TO/VOTES FOR" box in the accompanying Amended Written Consent and Form of Proxy OR previously provided Written Consent and Form of Proxy.
- Step 2. Sign and date the Amended Written Consent and Form of Proxy OR previously provided Written Consent and Form of Proxy.
- Step 3. Deposit with Computershare Trust Company of Canada, 100 University Avenue, 11th Floor, South Tower, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, as soon as practicable and in any event no later than 4:30 p.m. (Calgary time) on December 4, 2009 or fax at 1-866-545-5580

#### ***Via Financial Broker:***

Debentureholders may contact their broker or send their proxy or voting instruction form to their broker who can vote on the Debentureholder's behalf.

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Log on to [www.proxyvote.com](http://www.proxyvote.com). The 12-digit control number located in the box on the voting instruction form will be required.

**If you have previously submitted a Written Consent and Form of Proxy and do not wish to revoke it or change your consent/vote, you need not take any action for your consent(s)/vote(s) to be counted.**

## **THE REVISED DEBENTURE AMENDMENTS**

### **General**

Holders of the 2010 Debentures and 2011 Debentures are each being asked to consider and, if deemed appropriate, to adopt, with or without amendment, the Debentureholder Resolution in the form attached as **Appendix "A"** to this Supplemental Circular approving certain revised amendments (the "**Revised Debenture Amendments**") to the Debenture Trust Indenture (as amended as proposed, the "**Revised Amended Debentures**"), which, if approved by the Debentureholders, will result in:

- (a) establishing a five year term by extending the maturity date for the Debentures to January 31, 2015;
- (b) increasing the annual coupon for the Debentures by 1.00% from 6.25% to 7.25%;
- (c) reducing the conversion price for the Debentures as follows:
  - (i) in the case of the 2010 Debentures from \$19.35 to \$7.50 for each Trust Unit, being a conversion rate of 133.3333 per \$1,000 principal amount of Revised Amended Debentures rather than 51.6796 Trust Units per \$1,000 principal amount of 2010 Debentures; and
  - (ii) in the case of the 2011 Debentures from \$23.80 to \$7.50 for each Trust Unit, being a conversion rate of 133.3333 per \$1,000 principal amount of Revised Amended Debentures rather than 42.0168 Trust Units per \$1,000 principal amount of 2011 Debentures; and
- (d) the Trust not being able to redeem the Revised Amended Debentures prior to January 31, 2013. From January 31, 2013 up to January 31, 2014, the Amended Debentures will be redeemable in whole or in part at the option of the Trust, on not more than 60 days and not less than 40 days prior notice, at \$1,050 per Amended Debenture, plus accrued and unpaid interest. From and after January 31, 2014 and prior to maturity, the Amended Debentures will be redeemable in whole or in part at the option of the Trust, on not more than 60 days and not less than 40 days prior notice, at \$1,000 per Revised Amended Debenture, plus accrued and unpaid interest.

Other than the foregoing amendments, the Debenture Trust Indenture will remain unchanged.

The full text of the Debentureholder Resolution is attached to this Supplemental Circular as **Appendix "A"**.

For the Debentureholder Resolution to be adopted in respect of a series of Debentures in accordance with the provisions of the Debenture Trust Indenture, it must be approved by either:

1. holders of at least 66⅔% of the principal amount of each of the 2010 Debentures and the 2011 Debentures marking the "CONSENTS TO/VOTES FOR" box on the accompanying Written Consent and Form of Proxy and signing and depositing such document in accordance with the instructions set out therein; or
2. holders of at least 66⅔% of the principal amount of each of the 2010 Debentures and the 2011 Debentures (each voting separately as a series), in each case, present or represented by proxy, voting for the Debenture Amendments at the Debentureholder Meeting.

**The Debentureholder Resolution, if passed by the holders of the 2010 Debentures and the 2011 Debentures in accordance with the provisions of the Debenture Trust Indenture, will be binding upon all Debentureholders of such series.**

**IF THE ACCOMPANYING WRITTEN CONSENT AND FORM OF PROXY IS COMPLETED BY HOLDERS OF AT LEAST 66⅔% OF THE PRINCIPAL AMOUNT OF EACH OF THE 2010 DEBENTURES AND THE 2011 DEBENTURES PRIOR TO THE DEBENTUREHOLDER MEETING, THE REVISED DEBENTURE AMENDMENTS WILL BE APPROVED AND THE TRUST WILL CANCEL THE DEBENTUREHOLDER MEETING.**

**IF THE REVISED DEBENTURE AMENDMENTS ARE NOT APPROVED BY THE HOLDERS OF EACH OF THE 2010 DEBENTURES AND THE 2011 DEBENTURES, THE BOARD MAY DETERMINE NOT TO ADOPT THE REVISED DEBENTURE AMENDMENTS.**

If the Debentureholder Resolution is passed, then the Trust, the Administrator and the Debenture Trustee will enter into the Supplemental Trust Indenture substantially in the form attached as **Appendix "B"** to this Supplemental Circular.

### Interest Payments

If the Debenture Amendments are approved by the Debentureholders, the Revised Amended Debentures will bear interest at 7.25% per annum, payable in semi-annual payments on January 31 and July 31 in each year.

If the Revised Debenture Amendments are approved by the Debentureholders, the Trust anticipates that the effective date of the Revised Debenture Amendments will be on the date the Trust enters into the Supplemental Trust Indenture substantially in the form attached as **Appendix "B"** to this Supplemental Circular which provides for the Revised Debenture Amendments (the "**Effective Date**"). Holders of each of the 2010 Debentures and 2011 Debentures will be entitled to a final interest payment on the Effective Date (in the case of the 2010 Debentures representing interest payable from June 30, 2009 to, but excluding, the Effective Date and in the case of the 2011 Debentures representing interest payable from October 31, 2009 to, but excluding, the Effective Date, in each case at an annual interest rate of 7.25%). Holders of the Revised Amended Debentures will be entitled to a first interest payment on July 31, 2010 (representing interest payable from the Effective Date to, but excluding, July 31, 2010) at an annual interest rate of 7.25%.

### Comparison of Terms of the Revised Amended Debentures and the Debentures

*The following table is a summary only and does not address all of the attributes and characteristics of the Debentures and the Revised Amended Debentures.*

	Revised Amended Debentures	2010 Debentures	2011 Debentures
<b>Securities:</b>	\$155,243,000 principal amount of 7.25% convertible unsecured subordinated debentures due 2015	\$55,271,000 principal amount of 6.25% convertible unsecured subordinated debentures due 2010	\$99,972,000 principal amount of 6.25% convertible unsecured subordinated debentures due 2011
<b>Principal Amount:</b>	\$155,243,000	\$55,271,000 currently outstanding	\$99,972,000 currently outstanding
<b>Maturity Date:</b>	January 31, 2015	June 30, 2010	April 30, 2011
<b>Coupon:</b>	7.25% per annum, payable in cash, semi-annually, in arrears	6.25% per annum, payable in cash, semi-annually, in arrears	6.25% per annum, payable in cash, semi-annually, in arrears
<b>Ranking:</b>	Direct unsecured obligations of the Trust	Direct unsecured obligations of the Trust	Direct unsecured obligations of the Trust
<b>Conversion:</b>	\$7.50 per unit	\$19.35 per unit	\$23.80 per unit
<b>Redemption:</b>	Will not be redeemable at any time prior to January 31, 2013. From January 31, 2013 up to January 31, 2014, redeemable on not more than 60 days and not less than 40 days prior notice, at \$1,050, plus accrued and unpaid interest. From and after January 31, 2014 and prior to January 31, 2015, redeemable on not more than 60 days and not less than 40 days	Redeemable at \$1,025 prior to June 30, 2010.	Redeemable, on not more than 60 days and not less than 40 days prior notice, at \$1,025, plus accrued and unpaid interest, prior to April 30, 2010. From April 30, 2010 and prior to maturity, the 2011 Debentures will be redeemable, on not more than 60 days and not less than 40 days prior notice, at \$1,025 per Debenture, plus accrued and unpaid interest.



	<b>Revised Amended Debentures</b>	<b>2010 Debentures</b>	<b>2011 Debentures</b>
	prior notice, at \$1,000, plus accrued and unpaid interest.		
<b>Listing:</b>	The TSX has conditionally approved the listing of the Amended Debentures under the symbol "PMT.DB.D".	The 2010 Debentures trade on the TSX under the symbol "PMT.DB.A".	The 2011 Debentures trade on the TSX under the symbol "PMT.DB.B".

### RECOMMENDATION OF THE BOARD

**The Board has concluded that the Revised Debenture Amendments are in the best interests of the Trust and the Debentureholders and, as such, has authorized submission of the Revised Debenture Amendments to Debentureholders for approval.**

In coming to its conclusion and recommendations, the Board considered, among others, the following factors:

1. the purpose and benefits of the Revised Debenture Amendments as outlined herein;
2. information concerning the financial condition of the Trust;
3. feedback from Debentureholders and their representatives regarding the Debenture Amendments outlined in the Original Circular (the "**Original Debenture Amendments**");
4. the voting results of the Original Debenture Amendments and, in particular, the fact that a majority of the 2011 Debentureholders that voted have supported the Original Debenture Amendments; and
5. the Fairness Opinion, which was provided to the Board, to the effect that as of October 12, 2009, subject to the limitations and assumptions set forth therein, the Debenture Amendments, if adopted in their entirety, are fair, from a financial point of view, to (a) in the case of the Debenture Amendments applicable to the 2010 Debentures, the holders of the 2010 Debentures; and (b) in the case of the Debenture Amendments applicable to the 2011 Debentures, the holders of the 2011 Debentures. A copy of the Fairness Opinion is attached to the Original Circular as **Appendix "C"** thereto and should be read carefully and in its entirety.

**THE BOARD UNANIMOUSLY RECOMMENDS THAT DEBENTUREHOLDERS CONSENT TO/VOTE FOR THE REVISED DEBENTURE AMENDMENTS.**

### CERTAIN INFORMATION CONCERNING THE TRUST

#### Earnings Coverage Ratios

The following earnings coverage ratios are calculated on a consolidated basis both for the twelve month period ended December 31, 2008 and for the twelve month period ended September 30, 2009 and are derived from audited annual financial information for the twelve month period ended December 31, 2008 and interim unaudited financial information for the twelve month period ended September 30, 2009. Funds flow coverage ratios disclosed herein are provided as supplemental information only.

The income of the Trust before interest and income tax expense for the twelve month period ended December 31, 2008 was \$79.0 million, and interest expense was \$32.2 million for a coverage of \$46.9 million and a coverage ratio of 2.5 times. The income of the Trust before interest and income tax expense for the twelve month period ended September 30, 2009 was \$63.6 million, and interest expense was \$29.6 million for a coverage of \$34.0 million and a coverage ratio of 2.1 times. Funds flow (defined as cash flow from operations before change in non-cash working capital, settlement of asset retirement obligations and certain exploration costs) for the twelve month period ended December 31, 2008 was \$275.4 million, resulting in funds flow coverage for such period of 8.6 times.

Funds flow for the twelve month period ended September 30, 2009 was \$253.5 million, resulting in funds flow coverage for such period of 8.6 times.

Assuming the Revised Amended Debentures are included in long-term debt and their respective carrying charges are included in interest expense, the pro forma earnings before interest and income tax expense for the twelve month period ended December 31, 2008 and for the twelve month period ended September 30, 2009 were \$79.0 million and \$63.6 million, respectively. The pro forma interest expense for such periods were \$33.7 million and \$31.1 million, respectively, for a coverage ratio of 2.3 times for the twelve month period ended December 31, 2008 and 2.0 times for the twelve month period ended September 30, 2009. Pro forma funds flow (defined as cash flow from operations before change in non-cash working capital, settlement of asset retirement obligations and certain exploration costs) for the twelve month period ended December 31, 2008 and the twelve month period ended September 30, 2009 were \$273.9 million and \$251.9 million, respectively, resulting in funds flow coverage for such periods of 8.1 times and 8.1 times, respectively.

### Consolidated Capitalization of the Trust

The following table sets forth the consolidated capitalization of the Trust as at September 30, 2009, both before and after giving effect to the Revised Debenture Amendments:

Designation (Authorized)	As at September 30, 2009	As at September 30, 2009 after giving effect to the Revised Debenture Amendments (unaudited)
Bank Debt – current	\$7,763,000	\$7,763,000
Bank Debt – long term	\$291,017,000	\$291,017,000
Unitholders' Capital		
Trust Units	\$1,145,489,000	\$1,145,489,000
(unlimited)	(123,954,642 Trust Units)	(123,954,642 Trust Units)
Special Voting Units	Nil	Nil
(unlimited)		
8% Debentures <sup>(1)(2)</sup>	Nil	Nil
6.25% Debentures <sup>(2)</sup>	\$55,271,000	Nil
6.25% Debentures <sup>(2)</sup>	\$99,972,000	Nil
6.5% Debentures <sup>(2)</sup>	\$74,925,000	\$74,925,000
Amended Debentures <sup>(2)</sup>	Nil	\$155,243,000

Notes:

- (1) Matured and settled on September 30, 2009.
- (2) At principal amount including equity component.

### Price Range and Trading Volume of the Trust's Securities

#### Trust Units

The outstanding Trust Units are listed on the TSX under the trading symbol "PMT.UN". The following table sets forth the price range and trading volume of the Trust Units as reported by the TSX for the periods indicated.

Period	Price Range		Volume
	High (\$)	Low (\$)	
<b>2008</b>			
January	7.30	6.13	9,531,996
February	8.25	6.75	16,043,927
March	8.51	7.28	12,581,831
April	9.95	8.15	13,448,579
May	10.25	9.01	11,519,122

Period	Price Range		Volume
	High (\$)	Low (\$)	
June	10.19	9.16	9,097,815
July	10.15	7.95	9,470,623
August	9.15	7.43	8,033,737
September	8.75	7.01	12,595,230
October	7.44	4.80	14,539,347
November	6.44	4.89	6,059,023
December	5.77	4.40	8,460,763
<b>2009</b>			
January	5.75	4.75	6,151,442
February	4.90	3.40	7,319,978
March	3.68	2.59	8,772,738
April	3.92	3.01	7,597,678
May	4.68	3.31	8,701,735
June	5.00	4.19	7,806,941
July	4.57	3.89	8,009,721
August	5.11	4.13	8,311,052
September	5.56	4.45	8,851,875
October	5.81	5.10	8,166,824
November (1-23)	5.23	4.57	7,879,805

On November 20, 2009, the last trading day prior to the public announcement of the Revised Debenture Amendments, the closing price of the Trust Units on the TSX was \$4.69. On November 23, 2009, the closing price of the Trust Units on the TSX was \$4.73.

### **Convertible Debentures**

#### *8% Debentures (Matured September 30, 2009; Conversion Price \$14.20)*

The 8% Debentures matured on September 30, 2009, were repaid by the Trust in cash and are no longer traded on the TSX.

#### *2010 Debentures (Due June 30, 2010; Conversion Price \$19.35)*

The 2010 Debentures are listed and posted for trading on the TSX and trade under the symbol PMT.DB.A. The following sets out the price range and trading volume of the 2010 Debentures as reported by the TSX for the periods indicated.

Period	Price Range		Volume
	High (\$)	Low (\$)	
<b>2008</b>			
January	96.35	85.52	8,300
February	99.75	93.26	4,520
March	100.00	97.15	8,120
April	100.50	97.56	10,150
May	100.00	97.00	7,510
June	102.49	99.00	13,060
July	101.97	99.50	8,070
August	102.50	100.00	7,710
September	101.96	90.06	6,500
October	96.45	80.00	5,130
November	95.00	80.01	4,410
December	94.00	73.00	6,170
<b>2009</b>			

<b>Period</b>	<b>Price Range</b>		<b>Volume</b>
	<b>High (\$)</b>	<b>Low (\$)</b>	
January	95.00	90.00	3,870
February	92.00	87.00	7,060
March	90.00	84.77	5,890
April	100.00	88.75	10,400
May	100.00	98.00	3,940
June	100.25	97.00	8,650
July	101.00	98.50	9,380
August	101.00	99.50	7,990
September	101.00	99.00	9,350
October	101.50	97.00	16,580
November (1-23)	98.00	92.00	7,940

On November 20, 2009, the last trading day prior to the public announcement of the Debenture Amendments, the closing price of the 2010 Debentures on the TSX was \$97.00. On November 23, 2009, the closing price of the 2010 Debentures on the TSX was \$98.00.

*2011 Debentures (Due April 30, 2011; Conversion Price \$23.80)*

The 2011 Debentures are listed and posted for trading on the TSX and trade under the symbol PMT.DB.B. The following sets out the price range and trading volume of the 2011 Debentures as reported by the TSX for the periods indicated.

<b>Period</b>	<b>Price Range</b>		<b>Volume</b>
	<b>High (\$)</b>	<b>Low (\$)</b>	
<b>2008</b>			
January	92.00	83.00	16,590
February	96.00	90.01	10,370
March	97.96	94.00	12,140
April	99.00	95.02	23,330
May	98.50	95.32	20,050
June	99.90	97.00	50,780
July	100.00	96.50	15,270
August	99.97	97.34	12,740
September	99.48	95.00	11,420
October	94.50	65.01	7,430
November	85.50	71.02	6,610
December	81.00	60.50	19,330
<b>2009</b>			
January	84.99	70.00	6,020
February	83.00	70.60	7,760
March	79.98	68.00	4,640
April	83.00	73.50	25,010
May	93.96	81.11	4,130
June	96.00	88.01	45,920
July	97.75	90.15	5,430
August	99.99	95.00	11,950
September	99.99	98.00	63,460
October	99.00	95.00	27,480
November (1-23)	99.00	92.06	18,090

On November 20, 2009, the last trading day prior to the public announcement of the Debenture Amendments, the closing price of the 2011 Debentures on the TSX was \$95.50. On November 23, 2009, the closing price of the 2011 Debentures on the TSX was \$96.00.

*6.5% Debentures (Due June 30, 2012; Conversion Price \$14.20)*

The 6.5% Debentures are listed and posted for trading on the TSX and trade under the symbol PMT.DB.C. The following sets out the price range and trading volume of the 6.5% Debentures as reported by the TSX for the periods indicated.

Period	Price Range		Volume
	High (\$)	Low (\$)	
<b>2008</b>			
January	89.89	83.01	5,490
February	92.00	87.01	85,390
March	94.93	89.51	21,580
April	95.49	91.28	16,060
May	96.50	94.01	31,270
June	98.99	95.00	40,230
July	98.49	96.06	35,030
August	97.00	95.26	26,520
September	96.35	90.00	13,400
October	91.00	62.00	10,530
November	75.95	65.00	44,820
December	70.00	58.00	39,650
<b>2009</b>			
January	82.50	59.00	28,100
February	75.00	68.00	79,370
March	70.00	62.01	12,700
April	78.60	70.00	17,020
May	85.95	77.25	70,420
June	90.00	84.50	16,160
July	90.25	87.10	8,000
August	95.00	91.25	15,890
September	98.88	93.00	28,190
October	97.73	94.50	27,410
November (1-23)	96.71	95.00	17,110

On November 20, 2009, the last trading day prior to the public announcement of the Debenture Amendments, the closing price of the 6.5% Debentures on the TSX was \$96.00. On November 23, 2009, the closing price of the 6.5% Debentures on the TSX was \$96.25.

#### ADDITIONAL INFORMATION

Additional information relating to the Trust is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Financial information in respect of the Trust is provided in the Trust's annual audited consolidated financial statements as at and for the financial year ended December 31, 2008 and interim unaudited consolidated financial statements as at and for the period ended September 30, 2009, and the related management's discussion and analysis ("MD&A"). Copies of the Trust's financial statements and MD&A are available upon request from the Trust by: (i) mail at Suite 3200, 605 – 5th Avenue S.W., Calgary, Alberta T2P 3H5; (ii) telephone at (403) 269-4400; or (iii) fax at (403) 269-4444.

## APPENDIX "A"

### DEBENTUREHOLDER RESOLUTION

**BE IT RESOLVED** as an Extraordinary Resolution that:

- (a) the amendments to the trust indenture dated as of August 10, 2004 among Paramount Energy Trust (the "**Trust**"), Paramount Energy Operating Corp. (the "**Administrator**") and Computershare Trust Company of Canada (the "**Debenture Trustee**"), the first supplemental trust indenture thereto dated April 25, 2005 and the second supplemental trust indenture thereto dated April 6, 2006 governing the 6.25% convertible unsecured subordinated debentures due June 30, 2010 (the "**2010 Debentures**") and the 6.25% convertible unsecured subordinated debentures due April 30, 2011 (the "**2011 Debentures**" and, together with the 2010 Debentures, the "**Debentures**") (collectively, the "**Debenture Trust Indenture**"), as described in the Supplemental Management Information Circular (the "**Supplemental Circular**") of the Trust dated November 24, 2009 and as set forth in the supplemental trust indenture (the "**Supplemental Trust Indenture**") substantially in the form attached as **Appendix "B"** to the Supplemental Circular are hereby approved and authorized;
- (b) the Debenture Trustee is hereby authorized and directed to concur in, execute and deliver one or more Supplemental Trust Indentures to the Debenture Trust Indenture which give effect to the amendments to the Debenture Trust Indenture as substantially set out in **Appendix "B"** to the Supplemental Circular and all amendments incidental or ancillary thereto;
- (c) the Debenture Trustee is hereby authorized and directed to execute and to cause to be executed on behalf of the holders of the Debentures or to deliver or cause to be delivered all such documents, agreements and instruments and to do or cause to be done all such other acts and things as the Trust and the Administrator and their advisors shall determine to be necessary or desirable to carry out the intent of this Extraordinary Resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document, agreement or instrument or the doing of any such act or thing;
- (d) notwithstanding that this Extraordinary Resolution has been passed by the holders of the Debentures or the holders of either the 2010 Debentures or the 2011 Debentures, the Administrator on behalf of the Trust is authorized, without further notice to or approval of the holders of the Debentures, to (i) amend the Supplemental Trust Indenture, (ii) not proceed with the transactions contemplated by the entering into of the Supplemental Trust Indenture, or (iii) proceed with amendments solely to the 2010 Debentures or solely to the 2011 Debentures, as set out or contemplated in this Extraordinary Resolution;
- (e) any officer or director of the Administrator on its own behalf and on behalf of the Trust is hereby authorized and directed to execute and deliver all documents and to do all other acts or things as such individual may, in his or her sole discretion, determine to be appropriate from time to time to give effect to the foregoing, such determination to be conclusively evidenced by the execution and delivery by such individual of such documents or the doing of such other acts or things; and
- (f) the Debenture Trustee is hereby authorized and directed to execute and deliver all documents and to do all other acts or things as the Debenture Trustee may determine to be necessary or appropriate from time to time to give effect to the foregoing, such determination to be conclusively evidenced by the execution and delivery by the Debenture Trustee of such documents or the doing of such other acts or things.

## APPENDIX "B"

### FOURTH SUPPLEMENTAL TRUST INDENTURE

This Fourth Supplemental Trust Indenture is entered into as of the • day of •, 2009 among:

**PARAMOUNT ENERGY TRUST**, an open ended trust governed under the laws of the Province of Alberta and having its head office in the City of Calgary, in the Province of Alberta (hereinafter called the "**Trust**" or "**PET**")

- and -

**PARAMOUNT ENERGY OPERATING CORP.**, a corporation existing under the laws of the Province of Alberta and having its head office in the City of Calgary, in the Province of Alberta (hereinafter called "**PEOC**" or the "**Corporation**")

- and -

**COMPUTERSHARE TRUST COMPANY OF CANADA**, a trust company incorporated under the federal laws of Canada having an office in the City of Calgary, in the Province of Alberta in its capacity as trustee under a trust indenture dated August 10, 2004 with the Trust and the Corporation (hereinafter called the "**Debenture Trustee**")

WITNESSETH THAT:

WHEREAS the Trust, the Corporation and the Debenture Trustee entered into (i) a trust indenture (the "**Principal Indenture**") dated August 10, 2004 to provide for the creation and issuance of debentures for the Trust's investment purposes (ii) a first supplemental trust indenture (the "**First Supplemental Indenture**") dated April 26, 2005 to provide for the creation and issuance of 6.25% convertible unsecured subordinated debentures due June 30, 2010 (the "**2010 Debentures**") and (iii) a second supplemental trust indenture (the "**Second Supplemental Indenture**") dated April 6, 2006 to provide for the creation and issuance of 6.25% convertible unsecured subordinated debentures due April 30, 2011 (the "**2011 Debentures**") and together with the 2010 Debentures, the "**Debentures**") (the Principal Indenture, First Supplemental Indenture and Second Supplemental Indenture are, collectively, the "**Indenture**");

AND WHEREAS Article 16 of the Principal Indenture provides that the Debenture Trustee and the Trust may enter into indentures supplemental to the Indenture to give effect to any Extraordinary Resolution (as defined in the Indenture) passed as provided in Article 13 of the Principal Indenture;

AND WHEREAS the holders of the Debentures have approved an Extraordinary Resolution to provide for certain amendments to the Debentures and to enter into this fourth supplemental trust indenture (this "**Supplemental Indenture**") with the Debenture Trustee to provide for such amendments, which Supplemental Indenture and Indenture will govern the terms of the Debentures;

AND WHEREAS all necessary acts and proceedings have been done and taken and all necessary resolutions have been passed, including an Extraordinary Resolution to authorize the execution and delivery of this Supplemental Indenture, to make the same effective and binding upon the Trust, and to amend the Debentures, when authenticated by the Debenture Trustee and issued as provided in the Indenture and this Supplemental Indenture, valid, binding and legal obligations of the Trust with the benefit and subject to the terms of the Indenture and this Supplemental Indenture;

AND WHEREAS the foregoing recitals are made as representations and statements of fact by the Trust and not by the Debenture Trustee.

NOW THEREFORE it is hereby covenanted, agreed and declared as follows:

## **ARTICLE 1 DEFINITIONS AND AMENDMENTS TO INDENTURE**

### **1.1 Definitions**

All capitalized terms not defined herein shall have the meanings given to them in the Indenture.

### **1.2 Amendments to Indenture**

This Supplemental Indenture is supplemental to the Indenture and the Indenture and this Supplemental Indenture shall hereafter be read together and shall have effect, so far as practicable, with respect to the Debentures as if all the provisions of the Indenture and this Supplemental Indenture were contained in one instrument. The Indenture is and shall remain in full force and effect with regards to all matters governing the Debentures, except as the Indenture is amended, superseded, modified or supplemented by this Supplemental Indenture. Except as otherwise set forth in this Supplemental Indenture, any references in the text of this Supplemental Indenture to section numbers, article numbers, "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions refer to the Indenture unless otherwise qualified.

## **ARTICLE 2 THE DEBENTURES**

### **2.1 Terms of Debentures**

The terms of the Debentures as set forth in the First Supplemental Indenture and Second Supplemental Indenture are amended by deleting Sections 2.1(a) through (k) of each of the First Supplemental Indenture and Second Supplemental Indenture and replacing such Sections with the following Sections 2.1(a) through (k) as follows:

- (a) The Debentures are limited to an aggregate principal amount of \$[155,243,000] Debentures which shall be designated as "Series 5, 7.25% Convertible Unsecured Subordinated Debentures".
- (b) The Debentures shall be dated as of ●, 2009, and shall bear interest from such date at the rate of 7.25% per annum, payable in semi-annual payments on January 31 and July 31 in each year, the first such payment to fall due on July 31, 2010 and the last such payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date of the Debentures), subject as hereinafter provided, to fall due on January 31, 2015, payable after as well as before maturity and after as well as before default, with interest on amounts in default at the same rate, compounded semi-annually. For certainty, subject to adjustment as hereinafter provided, the first interest payment will include interest accrued from ●, 2009 to, but excluding, July 31, 2010, which will be equal to \$● for each \$1,000 principal amount of the Debentures.
- (c) The Debentures will be redeemable at the option of the Trust in accordance with the terms of Article 4, provided that the Debentures will not be redeemable on or before January 31, 2013, except in the event of the satisfaction of certain conditions after a Change of Control has occurred as outlined herein. Subsequent to January 31, 2013 and on or prior to January 31, 2014, the Debentures may be redeemed at the option of the Trust in whole or in part from time to time on notice as provided for in Section 4.3 at a Redemption Price of \$1,050 per \$1,000 principal amount of Debentures and, in addition thereto, at the time of redemption, the Trust shall pay to the holder accrued and unpaid interest. After January 31, 2014 and prior to maturity, the Debentures may be redeemed at the option of the Trust in whole or in part from time to time on notice as provided for in Section 4.3 hereof at a Redemption Price of \$1,000 per \$1,000 principal amount of Debentures and, in addition thereto, at the time of redemption, the Trust shall pay to the holder accrued and unpaid interest.

The Redemption Notice for the Debentures shall be in the form of Schedule B to this Supplemental Indenture. In connection with the redemption of the Debentures, the Trust may, at its option and subject to



the provisions of Section 4.6 and subject to regulatory approval, elect to satisfy its obligation to pay all or a portion of the aggregate Redemption Price of the Debentures to be redeemed by issuing and delivering to the holders of such Debentures, such number of Freely Tradeable Trust Units as is obtained by dividing the Redemption Price by 95% of the Current Market Price in effect on the Redemption Date. Interest accrued and unpaid on the Debentures to be redeemed on the Redemption Date will be paid to holders of Debentures, in cash, in the manner contemplated in Section 4.5. If the Trust elects to exercise such option, it shall so specify and provide details in the Redemption Notice.

- (d) The Debentures will be subordinated to the Senior Indebtedness of the Trust in accordance with the provisions of Article 5.
- (e) Upon and subject to the provisions and conditions of Article 6, and upon delivering a conversion notice in the form attached to this Supplemental Indenture as Schedule D, the holder of each Debenture shall have the right at such holder's option, at anytime when the register of the Debenture Trustee is open, prior to the close of business on January 31, 2015, as applicable, and the last Business Day immediately preceding the date specified by the Trust for redemption of the Debentures by notice to the holders of Debentures in accordance with Section 2.1(c) of this Supplemental Indenture and Section 4.3 (the earlier of which will be the "Time of Expiry" for the purposes of Article 6 in respect of the Debentures), to convert any part in excess of \$1,000, which is \$1,000 or an integral multiple thereof, of the principal amount of such Debenture into Trust Units at the Conversion Price in effect on the Date of Conversion (as defined in Section 6.4(b)).

The Conversion Price in effect on the date hereof for each Trust Unit to be issued upon the conversion of Debentures shall be equal to \$7.50 such that approximately 133.3333 Trust Units shall be issued for each \$1,000 principal amount of Debentures so converted. No adjustment in the number of Trust Units to be issued upon conversion will be made for distributions on Trust Units issuable upon conversion or for interest accrued on the Debentures which are surrendered for conversion; however, holders converting their Debentures will receive all interest which has accrued to but excluding the Date of Conversion (as defined in Section 6.4(b)) which has not been paid. The Conversion Price applicable to and the Trust Units, securities or other property receivable on the conversion of the Debentures is subject to adjustment pursuant to the provisions of Section 6.5.

Notwithstanding any other provisions of this Indenture, if a Debenture is surrendered for conversion on an Interest Payment Date or during the three preceding Business Days, the person or persons entitled to receive Trust Units in respect of the Debenture so surrendered for conversion shall not become the holder or holders of record of such Trust Units until the Business Day following such Interest Payment Date.

- (f) On maturity of the Debentures, the Trust may, at its option and subject to the provisions of Section 4.10 and subject to regulatory approval, elect to satisfy its obligation to pay all or a portion of the aggregate principal amount of the Debentures due on maturity by issuing and delivering to such holders of Debentures Freely Tradeable Trust Units pursuant to the provisions of Section 4.10. If the Trust elects to exercise such option, it shall deliver a maturity notice (the "**Maturity Notice**") to the holders of the Debentures in the form of Schedule C to this Supplemental Indenture and provide the necessary details.
- (g) The Debentures shall be issued as Fully Registered Debentures in denominations of \$1,000 and integral multiples of \$1,000. Each Debenture and the certificate of the Debenture Trustee endorsed thereon shall be issued in substantially the form set out in Schedule A to this Supplemental Indenture, with such insertions, omissions, substitutions or other variations as shall be required or permitted by this Indenture, and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of the Indenture or this Supplemental Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto or with any rules or regulations of any securities exchange or securities regulatory authority or to conform with general usage, all as may be determined by the directors of PEOC (on behalf of the Trust) executing such Debenture in accordance with Section 2.7 hereof, as conclusively evidenced by their execution of a Debenture. Each Debenture shall additionally bear such distinguishing letters and numbers as the Debenture Trustee shall approve. Notwithstanding the foregoing, a Debenture may be in such other form or forms as may, from time to time, be approved by a

resolution of the directors of PEOC, on behalf of the Trust or as specified in an Officer's Certificate. The Debentures may be engraved, lithographed, printed, mimeographed or typewritten or partly in one form and partly in another.

The Debentures shall be issued as Global Debentures and the Global Debentures will be registered in the name of the Depository for the Debentures which shall be CDS Clearing and Depository Services Inc. The Global Debentures shall be registered in the name of CDS Clearing and Depository Services Inc. (or any nominee of the Depository). No beneficial holder will receive definitive certificates representing their interest in Debentures except as provided in Section 3.2. A Global Debenture may be exchanged for Debentures in registered form that are not Global Debentures, or transferred to and registered in the name of a person other than the Depository for such Global Debentures or a nominee thereof as provided in Section 3.2. Effective on the date hereof, the Global Debentures issued in respect of each of the 2010 Debentures and 2011 Debentures shall be cancelled and replaced with the Global Debentures referred to in this Section 2.1(g).

- (h) Upon and subject to the provisions and conditions of Article 10, the Trust may elect, from time to time, to satisfy its Interest Obligation on the Debentures on any Interest Payment Date by delivering Trust Units to the Debenture Trustee.
- (i) Within 30 days following the occurrence of a Change of Control, and subject to the provisions and conditions of this Section 2.1(i), the Trust shall be obligated to offer in writing to each holder of Debentures (the "**Offer**") to purchase the Debentures. The terms and conditions of such obligation are set forth below:
  - (i) Within 30 days following the occurrence of a Change of Control, the Trust shall deliver to the Debenture Trustee, and the Debenture Trustee shall promptly deliver to the holders of the Debentures a notice stating that there has been a Change of Control and specifying the circumstances surrounding such event (a "**Change of Control Notice**") together with the Offer to purchase all then outstanding Debentures made in accordance with the requirements of Applicable Securities Legislation at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, on such Debentures up to, but excluding, the date of acquisition by the Trust or a related party of such Debentures (the "**Offer Price**") which Offer shall, unless otherwise provided under Applicable Securities Legislation, be open for acceptance thereof for a period of not less than 35 days and not more than 60 days and shall provide for payment to all Debenture holders who accept the Offer not later than the 60th day after the making of the Offer (collectively, the "**Total Offer Price**").
  - (ii) If 90% or more in aggregate principal amount of the Debentures outstanding on the date the Trust provides the Change of Control Notice and the Offer to holders of the Debentures have been tendered for purchase pursuant to the Offer on the expiration thereof, the Trust shall provide written notice to the Debenture Trustee, along with the aggregate Offer Price for the Debentures remaining outstanding at the expiration of the Offer, within 10 days following the expiration of the Offer, that it is redeeming and shall redeem all the Debentures remaining outstanding on the expiration of the Offer at the aggregate Offer Price for such Debentures remaining outstanding (the "**90% Redemption Right**").
  - (iii) Upon receipt of notice that the Trust is acquiring the remaining Debentures pursuant to the 90% Redemption Right, the Debenture Trustee shall promptly provide written notice to each Debentureholder that did not previously accept the Offer that:
    - (A) the Trust has exercised the 90% Redemption Right and is purchasing all outstanding Debentures effective on the expiry of the Offer at the aggregate Offer Price for such remaining Debentures, and shall include a calculation of the amount payable to such holder as payment of the Total Offer Price;

- (B) each such holder must transfer its Debentures to the Debenture Trustee on the same terms as those holders that accepted the Offer and must send its Debentures, duly endorsed for transfer, to the Debenture Trustee within 10 days after the sending of such notice; and
  - (C) the rights of such holder under the terms of the Debentures, the Indenture and this Supplemental Indenture cease effective as of the date of expiry of the Offer provided the Trust has, on or before the time of notifying the Debenture Trustee of the redemption pursuant to the 90% Redemption Right, paid the aggregate Offer Price for such Debentures to, or to the order of, the Debenture Trustee and thereafter such Debentures shall not be considered to be outstanding and the holder shall not have any right except to receive such holder's Offer Price upon surrender and delivery of such holder's Debentures in accordance with the Indenture.
- (iv) The Trust shall, on or before 11:00 a.m., (Calgary time), on the Business Day immediately prior to the expiry of the Offer, deposit with the Debenture Trustee or any paying agent to the order of the Debenture Trustee, such sums of money as may be sufficient to pay the Offer Price for each Debenture to be purchased or redeemed by the Trust on the expiry of the Offer, provided the Trust may elect to satisfy this requirement by providing the Debenture Trustee with a cheque for such amounts required under this Section 2.1(j)(iv) post-dated to the date of expiry of the Offer. The Trust shall also deposit with the Debenture Trustee a sum of money sufficient to pay any charges or expenses which may be incurred by the Debenture Trustee in connection with such purchase and/or redemption, as the case may be. Every such deposit shall be irrevocable. From the sums so deposited, the Debenture Trustee shall pay or cause to be paid to the holders of such Debentures, the Offer Price for each such Debenture to which they are entitled on the Trust's purchase or redemption.
  - (v) In the event that one or more of such Debentures being purchased in accordance with this Section 2.1(i) becomes subject to purchase in part only, upon surrender of such Debentures for payment of the Offer Price for each such Debenture, the Trust shall execute and the Debenture Trustee shall certify and deliver without charge to the holder thereof or upon the holder's order, one or more Debentures for the portion of the principal amount of the Debentures not purchased.
  - (vi) Debentures for which holders have accepted the Offer and Debentures which the Trust is redeeming in accordance with this Section 2.1(i) shall become due and payable at the Offer Price for each such Debenture on the date of expiry of the Offer, in the same manner and with the same effect as if it were the date of maturity specified in such Debentures, anything therein or herein to the contrary notwithstanding, and from and after such date of expiry of the Offer, if the money necessary to purchase or redeem the Debentures shall have been deposited as provided in this Section 2.1(i) and affidavits or other proofs satisfactory to the Debenture Trustee as to the publication and/or mailing of such notices shall have been lodged with it, interest on the Debentures shall cease. If any question shall arise as to whether any notice has been given as above provided and such deposit made, such question shall be decided by the Debenture Trustee whose decision shall be final and binding upon all parties in interest.
  - (vii) In case the holder of any Debenture to be purchased or redeemed in accordance with this Section 2.1(i) shall fail on or before the date of expiry of the Offer so to surrender such holder's Debenture or shall not within such time accept payment of the monies payable, or give such receipt therefor, if any, as the Debenture Trustee may require, such monies may be set aside in trust, either in the deposit department of the Debenture Trustee or in a chartered bank, and such setting aside shall for all purposes be deemed a payment to the Debentureholder of the sum so set aside and the Debentureholder shall have no other right except to receive payment of the monies so paid and deposited, upon surrender and delivery up of such holder's Debenture. In the event that any money required to be deposited hereunder with the Debenture Trustee or any depository or paying agent on account of principal, premium, if any, or interest, if any, on Debentures issued hereunder shall remain so deposited for a period of six years from the date of expiry of the Offer, then such monies, together with any accumulated interest thereon, shall at the end of such period

be paid over or delivered over by the Debenture Trustee or such depository or paying agent to the Trust and the Debenture Trustee shall not be responsible to Debentureholders for any amounts owing to them. Notwithstanding the foregoing, the Debenture Trustee will pay any remaining funds deposited hereunder prior to the expiry of six years after the date of expiry of the Offer to the Trust upon receipt from the Trust, or one of its Subsidiaries, of an uncontested letter of credit from a Canadian chartered bank in an amount equal to or in excess of the amount of the remaining funds. If the remaining funds are paid to the Trust prior to the expiry of six years after the date of expiry of the Offer, the Trust shall reimburse the Debenture Trustee for any amounts required to be paid by the Debenture Trustee to a holder of a Debenture pursuant to the Offer after the date of such payment of the remaining funds to the Trust but prior to six years after the date of expiry of the Offer.

- (viii) Subject to the provisions above related to Debentures purchased in part, all Debentures redeemed and paid under this Section 2.1(i) shall forthwith be delivered to the Debenture Trustee and cancelled and no Debentures shall be issued in substitution therefor.
- (j) The Debenture Trustee shall be provided with the documents and instruments referred to in Sections 2.5(b), (c) and (d) with respect to the Debentures prior to the issuance of the Debentures.
- (k) PEOC may, at any time and from time to time, in its sole discretion, request that the Debenture Trustee make reasonable efforts, as practicable in the circumstances, to obtain declarations as to beneficial ownership of Debentures, perform residency searches of holders of Debentures and beneficial holders of Debentures mailing address lists and take such other steps specified by PEOC to determine or estimate as best possible the residence of the beneficial owners of Debentures. If at any time the board of directors of PEOC, in its sole discretion, determines that it is in the best interest of the Trust, PEOC may: (i) require the Debenture Trustee to refuse to accept a subscription for the Debentures from, or issue or register a transfer of Trust Units to, a person unless the person provides a declaration to PEOC that the Debentures to be issued or transferred to such person will not when issued or transferred be beneficially owned by a non resident of Canada; (ii) to the extent practicable in the circumstances, send a notice to registered holders of the Debentures which are beneficially owned by non-residents of Canada, chosen in inverse order to the order of acquisition or registration of such Debentures beneficially owned by non-residents of Canada or in such other manner as PEOC may consider equitable and practicable, requiring them to sell their Debentures which are beneficially owned by non-residents of Canada or a specified portion thereof within a specified period of not less than 60 days. If the holders of Debentures receiving such notice have not sold the specified number of such Debentures or provided PEOC with satisfactory evidence that such Debentures are not beneficially owned by non-residents within such period, PEOC may, on behalf of such registered holder of Debentures, sell such Debentures and, in the interim, suspend the rights attached to such Debentures; and (iii) take such other actions as the board of directors of PEOC determines, in its sole discretion, are appropriate in the circumstances that will reduce or limit the number of Debentures held by non-residents to ensure that the Trust is not maintained primarily for the benefit of non-residents of Canada.

### **ARTICLE 3 ADDITIONAL MATTERS**

#### **3.1 Confirmation of Indenture**

The Indenture, as amended and supplemented by this Supplemental Indenture, is in all respects confirmed.

#### **3.2 Acceptance of Trusts**

The Debenture Trustee hereby accepts the trusts in this Supplemental Indenture declared and provided for and agrees to perform the same upon the terms and conditions and subject to the provisions set forth in the Indenture.

### 3.3 Governing Law

This Supplemental Indenture shall be construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall be treated, in all respects, as an Alberta contract.

### 3.4 Further Assurances

The parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Supplemental Indenture, and each party shall provide such further documents or instruments required by the other party as may be reasonably necessary or desirable to effect the purpose of this Supplemental Indenture and carry out its provisions.

### 3.5 Counterparts

This Supplemental Indenture may be executed by the parties in separate counterparts each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF the parties hereto have executed these presents under their respective corporate seals and the hands of their proper officers in that behalf.

**PARAMOUNT ENERGY TRUST**, by Paramount Energy Operating Corp. (as attorney-in-fact and agent of Computershare Trust Company of Canada)

Per: \_\_\_\_\_  
Cameron R. Sebastian  
Vice President, Finance and Chief Financial Officer

**PARAMOUNT ENERGY OPERATING CORP.**

Per: \_\_\_\_\_  
Cameron R. Sebastian  
Vice President, Finance and Chief Financial Officer

**COMPUTERSHARE TRUST COMPANY OF CANADA**

Per: \_\_\_\_\_

Per: \_\_\_\_\_

**SCHEDULE "A"**  
**TO THE FOURTH SUPPLEMENTAL TRUST INDENTURE AMONG**  
**PARAMOUNT ENERGY TRUST, PARAMOUNT ENERGY OPERATING CORP. AND**  
**COMPUTERSHARE TRUST COMPANY OF CANADA**  
**FORM OF DEBENTURE**

This Debenture is a Global Debenture within the meaning of the Indenture herein referred to and is registered in the name of a Depository or a nominee thereof. This Debenture may not be transferred to or exchanged for Debentures registered in the name of any person other than the Depository or a nominee thereof and no such transfer may be registered except in the limited circumstances described in the Indenture. Every Debenture authenticated and delivered upon registration of, transfer of, or in exchange for, or in lieu of, this Debenture shall be a Global Debenture subject to the foregoing, except in such limited circumstances described in the Indenture.

Unless this Certificate is presented by an authorized representative of CDS Clearing and Depository Services Inc. ("CDS") to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued in respect thereof is registered in the name of CDS & CO., or in such other name as is requested by an authorized representative of CDS (and any payment is made to CDS & CO. or to such other entity as is requested by an authorized representative of CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered holder hereof, CDS & CO., has an interest herein.

CUSIP/ISIN – •/•

No. •

\$•

**PARAMOUNT ENERGY TRUST**

(A trust governed by the laws of Alberta)

**7.25% CONVERTIBLE UNSECURED SUBORDINATED DEBENTURE**  
**DUE JANUARY 31, 2015**

PARAMOUNT ENERGY TRUST (the "**Trust**") for value received hereby acknowledges itself indebted and, subject to the provisions of the trust indenture (the "**Indenture**") dated as of August 10, 2004, as amended and supplemented by the fourth supplemental indenture (the "**Supplemental Indenture**") dated as of •, 2009, among the Trust, Paramount Energy Operating Corp. and Computershare Trust Company of Canada (the "**Debenture Trustee**"), promises to pay to the registered holder hereof on January 31, 2015 or on such earlier date as the principal amount hereof may become due in accordance with the provisions of the Supplemental Indenture (the "**Maturity Date**") the principal sum of • Dollars (\$•) in lawful money of Canada on presentation and surrender of this Debenture (as defined herein) at the main branch of the Debenture Trustee in Calgary, Alberta or Toronto, Ontario in accordance with the terms of the Indenture and the Supplemental Indenture and, subject as hereinafter provided, to pay interest on the principal amount hereof from the date hereof, or from the last Interest Payment Date to which interest shall have been paid or made available for payment hereon, whichever is later, at the rate of 7.25% per annum, in like money, in arrears in equal (with the exception of the first interest payment which will include interest from •, 2009 to but excluding July 31, 2010 as set forth below) semi-annual instalments (less any tax required by law to be deducted) of \$• per \$1,000 of principal amount of the Debentures on January 31 and July 31 in each year commencing on July 31, 2010 and the last payment (representing interest payable from the last Interest Payment Date to, but excluding, the Maturity Date) to fall due on the Maturity Date and, should the Trust at any time make default in the payment of any principal or interest, to pay interest on the amount in default at the same rate, in like money and on the same dates. The first interest payment will include interest accrued from and including •, 2009 to, but excluding July 31, 2010, which will be equal to \$• for each \$1,000 principal amount of the Debentures.

Interest hereon shall be payable by cheque mailed by prepaid ordinary mail or by electronic transfer of funds to the registered holder hereof and, subject to the provisions of the Indenture, the mailing of such

cheque shall, to the extent of the sum represented thereby (plus the amount of any tax withheld), satisfy and discharge all liability for interest on this Debenture.

This Debenture is one of the 7.25% Convertible Extendible Unsecured Subordinated Debentures (referred to herein as the "**Debenture**") of the Trust issued or issuable in one or more series under the provisions of the Indenture. The Debentures authorized for issue immediately are limited to an aggregate principal amount of \$[155,243,000] in lawful money of Canada. Reference is hereby expressly made to the Indenture and the Supplemental Indenture for a description of the terms and conditions upon which the Debentures are or are to be issued and held and the rights and remedies of the holders of the Debentures and of the Trust and of the Debenture Trustee, all to the same effect as if the provisions of the Indenture were herein set forth to all of which provisions the holder of this Debenture by acceptance hereof assents.

The Debentures are issuable only in denominations of \$1,000 and integral multiples thereof. Upon compliance with the provisions of the Indenture, Debentures of any denomination may be exchanged for an equal aggregate principal amount of Debentures in any other authorized denomination or denominations.

The whole, or if this Debenture is a denomination in excess of \$1,000, any part which is \$1,000 or an integral multiple thereof, of the principal of this Debenture is convertible, at the option of the holder hereof, upon surrender of this Debenture at the principal office of the Debenture Trustee in Calgary, Alberta or Toronto, Ontario, at any time prior to the close of business on the Maturity Date or, if this Debenture is called for redemption on or prior to such date, then up to but not after the close of business on the last Business Day immediately preceding the date specified for redemption of this Debenture, into Trust Units (without adjustment for interest accrued hereon or for dividends or distributions on Trust Units issuable upon conversion) at a conversion price of \$7.50 (the "**Conversion Price**") per Trust Unit, being a rate of approximately 133.3333 Trust Units for each \$1,000 principal amount of Debentures, all subject to the terms and conditions and in the manner set forth in the Indenture. No Debentures may be converted during the three Business Days preceding and including January 31 and July 31 in each year, commencing July 31, 2010, as the registrars of the Debenture Trustee will be closed during such periods. The Indenture makes provision for the adjustment of the Conversion Price in the events therein specified. No fractional Trust Units will be issued on any conversion but in lieu thereof, the Trust will satisfy such fractional interest by a cash payment equal to the market price of such fractional interest determined in accordance with the Indenture. Holders converting their Debentures will receive accrued and unpaid interest thereon. If a Debenture is surrendered for conversion on an Interest Payment Date or during the three preceding Business Days, the person or persons entitled to receive Trust Units in respect of the Debenture so surrendered for conversion shall not become the holder or holders of record of such Trust Units until the Business Day following such Interest Payment Date.

This Debenture may be redeemed at the option of the Trust on the terms and conditions set out in the Indenture at the redemption price therein and herein set out provided that this Debenture is not redeemable on or before January 31, 2013, except in the event of the satisfaction of certain conditions after a Change of Control has occurred. After January 31, 2013, and on or prior to January 31, 2014, the Debentures are redeemable at the option of the Trust at a price equal to \$1,050 per \$1,000 principal amount of Debentures and, in addition thereto, at the time of redemption, the Trust shall pay to the holder accrued and unpaid interest and otherwise on the terms and conditions described in the Indenture. After January 31, 2014 and prior to maturity the Debentures are redeemable at the option of the Trust at a price equal to \$1,000 per \$1,000 principal amount of Debentures and, in addition thereto, at the time of redemption, the Trust shall pay to the holder accrued and unpaid interest and otherwise on the terms and conditions described in the Indenture. The Trust may, on notice as provided in the Indenture, at its option and subject to any applicable regulatory approval, elect to satisfy its obligation to pay all or any portion of the applicable Redemption Price by the issue of that number of Trust Units obtained by dividing the applicable Redemption Price by 95% of the weighted average trading price of the Trust Units on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the Redemption Date.

Upon the occurrence of a Change of Control of the Trust, the Trust is required to make an offer to purchase all of the Debentures at a price equal to 101% of the principal amount of such Debentures plus accrued and unpaid interest (if any) up to, but excluding, the date the Debentures are so repurchased (the "**Offer**"). If 90% or more of the principal amount of all Debentures outstanding on the date the Trust provides notice of a Change of Control to the Debenture Trustee have been tendered for purchase pursuant to the Offer, the Trust shall redeem all the remaining outstanding Debentures on the same date and at the same price.

If a takeover bid for Debentures, within the meaning of the Applicable Securities Legislation, is made and 90% or more of the principal amount of all the debentures issued pursuant to the Indenture (other than debentures held at the date of the takeover bid by or on behalf of the Offeror, Associates or Affiliates of the Offeror or anyone acting jointly or in concert with the Offeror) are taken up and paid for by the Offeror, the Offeror will be entitled to acquire the Debentures of those holders who did not accept the offer on the same terms as the Offeror acquired the first 90% of the principal amount of the debentures issued pursuant to the Supplemental Indenture.

The Trust may, on notice as provided in the Indenture, at its option and subject to any applicable regulatory approval, elect to satisfy the obligation to repay all or any portion of the principal amount of this Debenture due on the Maturity Date by the issue of that number of Freely Tradeable Trust Units obtained by dividing the principal amount of this Debenture to be paid for in Trust Units pursuant to the exercise by the Trust of the Unit Repayment Right by 95% of the weighted average trading price of the Trust Units on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the Maturity Date.

The indebtedness evidenced by this Debenture, and by all other Debentures now or hereafter certified and delivered under the Indenture, is a direct unsecured obligation of the Trust, and is subordinated in right of payment, to the extent and in the manner provided in the Indenture, to the prior payment of all Senior Indebtedness (including any indebtedness to trade creditors), whether outstanding at the date of the Indenture or thereafter created, incurred, assumed or guaranteed.

The principal hereof may become or be declared due and payable before the stated maturity in the events, in the manner, with the effect and at the times provided in the Indenture.

The Indenture contains provisions that PEOC may, at any time and from time to time, in its sole discretion, request that the Debenture Trustee make reasonable efforts, as practicable in the circumstances, to obtain declarations as to beneficial ownership of Debentures, perform residency searches of holders of Debentures and beneficial holders of Debentures mailing address lists and take such other steps specified by PEOC to determine or estimate as best possible the residence of the beneficial owners of Debentures. If at any time the board of directors of PEOC, in its sole discretion, determines that it is in the best interest of the Trust, PEOC may: (i) require the Debenture Trustee to refuse to accept a subscription for the Debentures from, or issue or register a transfer of Trust Units to, a person unless the person provides a declaration to PEOC that the Debentures to be issued or transferred to such person will not when issued or transferred be beneficially owned by a non resident of Canada; (ii) to the extent practicable in the circumstances, send a notice to registered holders of the Debentures which are beneficially owned by non-residents of Canada, chosen in inverse order to the order of acquisition or registration of such Debentures beneficially owned by non-residents of Canada or in such other manner as PEOC may consider equitable and practicable, requiring them to sell their Debentures which are beneficially owned by non-residents of Canada or a specified portion thereof within a specified period of not less than 60 days. If the holders of Debentures receiving such notice have not sold the specified number of such Debentures or provided PEOC with satisfactory evidence that such Debentures are not beneficially owned by non-residents within such period, PEOC may, on behalf of such registered holder of Debentures, sell such Debentures and, in the interim, suspend the rights attached to such Debentures; and (iii) take such other actions as the board of directors of PEOC determines, in its sole discretion, are appropriate in the circumstances that will reduce or limit the number of Debentures held by non-residents to ensure that the Trust is not maintained primarily for the benefit of non-residents of Canada.

The Indenture contains provisions making binding upon all holders of Debentures outstanding thereunder (or in certain circumstances specific series of Debentures) resolutions passed at meetings of such holders held in accordance with such provisions and instruments signed by the holders of a specified majority of Debentures outstanding (or specific series), which resolutions or instruments may have the effect of amending the terms of this Debenture or the Indenture.

The Indenture contains provisions disclaiming any personal liability on the part of holders of Trust Units, officers and directors of Paramount Energy Operating Corp. or the trustee, manager and other agents of the Trust in respect of any obligation or claim arising out of the Indenture or this Debenture.

This Debenture may only be transferred, upon compliance with the conditions prescribed in the Indenture, in one of the registers to be kept at the principal office of the Debenture Trustee in Calgary, Alberta or



Toronto, Ontario and in such other place or places and/or by such other registrars (if any) as the Trust with the approval of the Debenture Trustee may designate. No transfer of this Debenture shall be valid unless made on the register by the registered holder hereof or his executors or administrators or other legal representatives, or his or their attorney duly appointed by an instrument in form and substance satisfactory to the Debenture Trustee or other registrar, and upon compliance with such reasonable requirements as the Debenture Trustee and/or other registrar may prescribe and upon surrender of this Debenture for cancellation. Thereupon a new Debenture or Debentures in the same aggregate principal amount shall be issued to the transferee in exchange hereof.

This Debenture shall not become obligatory for any purpose until it shall have been certified by the Debenture Trustee under the Indenture.

Capitalized words or expressions used in this Debenture shall, unless otherwise defined herein, have the meaning ascribed thereto in the Indenture and the Supplemental Indenture.

IN WITNESS WHEREOF PARAMOUNT ENERGY TRUST has caused this Debenture to be signed by its authorized representatives as of the • day of •, 2009.

PARAMOUNT ENERGY TRUST, by Paramount Energy Operating Corp. (as attorney-in-fact and agent of Computershare Trust Company of Canada)

Per: \_\_\_\_\_

Countersigned by:

**COMPUTERSHARE TRUST COMPANY OF CANADA**, as Debenture Trustee

Per: \_\_\_\_\_

**(FORM OF DEBENTURE TRUSTEE'S CERTIFICATE)**

This Debenture is one of the 7.25% Convertible Extendible Unsecured Subordinated Debentures due January 31, 2015 referred to in the Supplemental Indenture within mentioned.

**COMPUTERSHARE TRUST COMPANY OF  
CANADA**, as Debenture Trustee

Per: \_\_\_\_\_  
(Authorized Officer)

**(FORM OF REGISTRATION PANEL)**

(No writing hereon except by Debenture Trustee or other registrar)

Date of Registration	In Whose Name Registered	Signature of Debenture Trustee or Registrar

## FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_, whose address and social insurance number, if applicable, are set forth below, this Debenture (or \$ \_\_\_\_\_ principal amount hereof\*) of PARAMOUNT ENERGY TRUST standing in the name(s) of the undersigned in the register maintained by the Trust with respect to such Debenture and does hereby irrevocably authorize and direct the Debenture Trustee to transfer such Debenture in such register, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Address of Transferee: \_\_\_\_\_  
(Street Address, City, Province and Postal Code)

Social Insurance Number of Transferee, if applicable: \_\_\_\_\_

\*If less than the full principal amount of the within Debenture is to be transferred, indicate in the space provided the principal amount (which must be \$1,000 or an integral multiple thereof, unless you hold a Debenture in a non-integral multiple of 1,000 by reason of your having exercised your right to exchange upon the making of an Offer, in which case such Debenture is transferable only in its entirety) to be transferred.

1. The signature(s) to this assignment must correspond with the name(s) as written upon the face of this Debenture in every particular without alteration or any change whatsoever. The signature(s) must be guaranteed by a Canadian chartered bank or trust company or by a member of an acceptable Medallion Guarantee Program. Notarized or witnessed signatures are not acceptable as guaranteed signatures. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED".
2. The registered holder of this Debenture is responsible for the payment of any documentary, stamp or other transfer taxes that may be payable in respect of the transfer of this Debenture.

Signature of Guarantor:

\_\_\_\_\_  
Authorized Officer

\_\_\_\_\_  
Signature of transferring registered holder

\_\_\_\_\_  
Name of Institution

**EXHIBIT "1"**  
**TO CDS GLOBAL DEBENTURE**  
**PARAMOUNT ENERGY TRUST**  
**7.25% CONVERTIBLE EXTENDIBLE UNSECURED SUBORDINATED DEBENTURES**  
**DUE JANUARY 31, 2015**

Initial Principal Amount: \$●

CUSIP/ISIN – ●/●

Authorization: \_\_\_\_\_

**ADJUSTMENTS**

<b>Date</b>	<b>Amount of Increase</b>	<b>Amount of Decrease</b>	<b>New Principal Amount</b>	<b>Authorization</b>

**SCHEDULE "B"**

**TO THE FOURTH SUPPLEMENTAL TRUST INDENTURE AMONG  
PARAMOUNT ENERGY TRUST,  
PARAMOUNT ENERGY OPERATING CORP. AND  
COMPUTERSHARE TRUST COMPANY OF CANADA**

**FORM OF REDEMPTION NOTICE**

**PARAMOUNT ENERGY TRUST  
7.25% CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES**

**REDEMPTION NOTICE**

To: Holders of 7.25% Convertible Unsecured Subordinated Debentures (the "**Debentures**") of Paramount Energy Trust (the "**Trust**")

Note: All capitalized terms used herein have the meaning ascribed thereto in the Indenture mentioned below, unless otherwise indicated.

Notice is hereby given pursuant to Section 4.3 of the trust indenture (the "**Indenture**") dated as of August 10, 2004 among the Trust, Paramount Energy Operating Corp. ("**PEOC**") and Computershare Trust Company of Canada (the "**Debenture Trustee**") and the fourth supplemental trust indenture dated as of •, 2009 among the Trust, PEOC and the Debenture Trustee, that the aggregate principal amount of \$• of the \$• of Debentures outstanding will be redeemed as of • (the "**Redemption Date**"), upon payment of a redemption amount of \$• for each \$1,000 principal amount of Debentures, being equal to the aggregate of (i) \$• (the "**Redemption Price**"), and (ii) all accrued and unpaid interest hereon to but excluding the Redemption Date (collectively, the "**Total Redemption Price**").

The Total Redemption Price will be payable upon presentation and surrender of the Debentures called for redemption at the following corporate trust office:

Computershare Trust Company of Canada  
Suite 600, 530 - 8th Avenue, SW  
Calgary AB T2P 3S8

The interest upon the principal amount of Debentures called for redemption shall cease to be payable from and after the Redemption Date, unless payment of the Total Redemption Price shall not be made on presentation for surrender of such Debentures at the above-mentioned corporate trust office on or after the Redemption Date or prior to the setting aside of the Total Redemption Price pursuant to the Indenture.

**[Pursuant to Section 4.6 of the Indenture, the Trust hereby irrevocably elects to satisfy its obligation to pay \$• of the Redemption Price payable to holders of Debentures in accordance with this notice by issuing and delivering to the holders that number of Freely Tradable Trust Units obtained by dividing the Redemption Price by 95% of the Current Market Price of the Trust Units.]**

**No fractional Trust Units shall be delivered upon the exercise by the Trust of the above-mentioned redemption right but, in lieu thereof, the Trust shall pay the cash equivalent thereof determined on the basis of the Current Market Price of Trust Units on the Redemption Date (less any tax required to be deducted, if any).**

**In this connection, upon presentation and surrender of the Debentures for payment on the Redemption Date, the Trust shall, on the Redemption Date, make the delivery to the Debenture Trustee, at the above-mentioned corporate trust office, for delivery to and on account of the holders, of certificates representing the Freely Tradable Trust Units to which holders are entitled together with the cash equivalent**

**in lieu of fractional Trust Units, cash for all accrued and unpaid interest up to, but excluding, the Redemption Date, and, if only a portion of the Debentures are to be redeemed by issuing Freely Tradable Trust Units, cash representing the balance of the Redemption Price.]**

DATED:

**PARAMOUNT ENERGY TRUST**, by Paramount  
Energy Operating Corp. (as attorney-in-fact and agent of  
Computershare Trust Company of Canada)

Per:

\_\_\_\_\_  
(Authorized Director or Officer of Paramount  
Energy Operating Corp.)

## SCHEDULE "C"

### TO THE FOURTH SUPPLEMENTAL TRUST INDENTURE AMONG PARAMOUNT ENERGY TRUST, PARAMOUNT ENERGY OPERATING CORP. AND COMPUTERSHARE TRUST COMPANY OF CANADA

#### FORM OF MATURITY NOTICE

To: Holders of 7.25% Convertible Unsecured Subordinated Debentures (the "**Debentures**") of Paramount Energy Trust (the "**Trust**")

Note: All capitalized terms used herein have the meaning ascribed thereto in the Indenture mentioned below, unless otherwise indicated.

Notice is hereby given pursuant to Section 4.10(b) of the trust indenture (the "**Indenture**") dated as of August 10, 2004 among the Trust, Paramount Energy Operating Corp. and Computershare Trust Company of Canada, as trustee (the "**Debenture Trustee**"), that the Debentures are due and payable as of January 31, 2015, or on such earlier date as the principal amount hereof may become due in accordance with the provisions of the fourth supplemental trust indenture dated •, 2009 among the Trust, Paramount Energy Operating Corp. and Computershare Trust Company of Canada (the "**Supplemental Debenture**") (the "**Maturity Date**") and the Trust elects to satisfy its obligation to pay to holders of the Debentures (as such term is defined in Supplemental Debenture) the principal amount of all of the Debentures outstanding on the Maturity Date by issuing and delivering to the holders that number of Freely Tradeable Trust Units equal to the number obtained by dividing such principal amount of the Debentures by 95% of the Current Market Price of Trust Units on the Maturity Date.

No fractional Trust Units shall be delivered on exercise by the Trust of the above mentioned repayment right but, in lieu thereof, the Trust shall pay the cash equivalent thereof determined on the basis of the Current Market Price of Trust Units on the Maturity Date (less any tax required to be deducted, if any).

In this connection, upon presentation and surrender of the Debentures for payment on the Maturity Date, the Trust shall, on the Maturity Date, make delivery to the Debenture Trustee, at its principal corporate trust office in Calgary, Alberta, for delivery to and on account of the holders, of certificates representing the Freely Tradeable Trust Units to which holders are entitled together with the cash equivalent in lieu of fractional Trust Units, cash for all accrued and unpaid interest up to, but excluding, the Maturity Date and if only a portion of the Debentures are to be repaid by issuing Freely Tradeable Trust Units, cash representing the balance of the principal amount and premium (if any) due on the Maturity Date.

DATED: •

**PARAMOUNT ENERGY TRUST**, by Paramount Energy Operating Corp. (as attorney-in-fact and agent of Computershare Trust Company of Canada)

Per: \_\_\_\_\_  
(Authorized Director or Officer of Paramount Energy Operating Corp.)



**SCHEDULE "D"**

**TO THE FOURTH SUPPLEMENTAL TRUST INDENTURE AMONG  
PARAMOUNT ENERGY TRUST,  
PARAMOUNT ENERGY OPERATING CORP. AND  
COMPUTERSHARE TRUST COMPANY OF CANADA**

**FORM OF NOTICE OF CONVERSION**

**CONVERSION NOTICE**

TO: PARAMOUNT ENERGY TRUST

Note: All capitalized terms used herein have the meaning ascribed thereto in the Indenture mentioned below, unless otherwise indicated.

The undersigned registered holder of 7.25% Convertible Unsecured Subordinated Debentures bearing Certificate No. • irrevocably elects to convert such Debentures (or \$• principal amount thereof\*) in accordance with the terms of the Indenture referred to in such Debentures and tenders herewith the Debentures, and, if applicable, directs that the Trust Units of Paramount Energy Trust issuable upon a conversion be issued and delivered to the person indicated below. (If Trust Units are to be issued in the name of a person other than the holder, all requisite transfer taxes must be tendered by the undersigned).

Dated: \_\_\_\_\_  
(Signature of Registered Holder)

\* If less than the full principal amount of the Debentures, indicate in the space provided the principal amount (which must be \$1,000 or integral multiples thereof).

NOTE: If Trust Units are to be issued in the name of a person other than the holder, the signature must be guaranteed by a chartered bank, a trust company or by a member of an acceptable Medallion Guarantee Program. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED".

(Print name in which Trust Units are to be issued, delivered and registered)

Name: \_\_\_\_\_

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City, Province and Postal Code)

Name of guarantor: \_\_\_\_\_

Authorized signature: \_\_\_\_\_

If you have any questions about the information contained in this document or require assistance in completing the Amended Written Consent and Form of Proxy, please contact the Proxy Solicitation Agent:



**North American Toll Free Phone:  
1-888-518-1558**

The Exchange Tower  
130 King Street West, Suite 2950, P.O. Box 361  
Toronto, Ontario M5X 1E2  
Banks and Brokerages: 416-867-2272  
Email: [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)  
Toll Free Facsimile: 1-866-545-5580



Computershare Trust Company of Canada  
100 University Avenue  
11th Floor, South Tower  
Toronto, Ontario M5J 2Y1



National Bank Financial Inc.  
130 King Street West  
Suite 3200, P.O. Box 21  
Toronto, Ontario M5X 1J9