FINANCIAL AND OPERATING HIGHLIGHTS [1]

($ millions, except as noted)

Three Months Ended	March 31, 2008	December 31, 2007	Change %
Financial			
Petroleum and natural gas sales	**77.0**	61.8	25
Funds flow from operations [2]	**24.2**	22.9	6
Per share – diluted ($/share)	**0.36**	0.33	9
Net loss	**(38.0)**	(156.5)	76
Per share – diluted ($/share)	**(0.56)**	(2.29)	76
Capital expenditures	**64.1**	68.9	(7)
Long-term investments [3]	**386.2**	322.1	20
Total assets	**1,217.0**	1,299.8	(6)
Net debt [4]	**98.2**	15.9	(518)
Common shares outstanding (thousands)	**67,693**	67,681	-
Operating			
Sales volumes:			
Natural gas (MMcf/d)	**65.8**	67.6	(3)
Oil and NGLs (Bbl/d)	**3,811**	2,984	28
Total (Boe/d)	**14,775**	14,248	4
Gas weighting	**74%**	79%	(5)
Total wells drilled (gross)	**28**	42	(33)

(1) Readers are referred to the advisories concerning non-GAAP measures and barrels of oil equivalent conversions under the heading "Advisories" in this document.
(2) The three months ended December 31, 2007 includes a reclassification of $4.9 million for a foreign exchange collar to conform to the current year presentation.
(3) Based on the period-end closing prices of Trilogy Energy Trust units and MGM Energy Corp. shares on the Toronto Stock Exchange, NuLoch Resources Inc. shares on TSX Venture Exchange and book value of the remaining long-term investments.
(4) Net debt is a non-GAAP measure, it is calculated and defined in the Liquidity and Capital Resources section of Management's Discussion and Analysis.

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SIGNIFICANT EVENTS

Principal Properties

Paramount continued to focus on the major properties within each Corporate Operating Unit, including development opportunities in the United States.

- Increased Kaybob's daily production by 11 percent from the fourth quarter of 2007.
- Drilled four (3.0 net) wells in North Dakota in addition to two (0.5 net) wells in Montana, furthering Southern's light oil program.
- Sold non-core facilities and properties within Northern for $6.4 million, including $5.0 million for the Maxhamish facility and pipeline.

Strategic Investments

Paramount increased its portfolio of Strategic Investments.

- Invested $13.7 million in 1.9 million units of Trilogy Energy Trust ("Trilogy") and participated in Trilogy's distribution reinvestment plan, acquiring an additional 0.5 million units, increasing Paramount's holdings to 21.1 percent at March 31, 2008.
- Invested $6.0 million to acquire 6.1 million Class A common of NuLoch Resources Inc, a public oil and gas company with properties in Alberta and Saskatchewan.
- Purchased 3.5 million common shares of Paxton Corporation, a private company involved in greenhouse gas technology, for $4.8 million.

Corporate

Paramount continued to reduce long-term debt and completed its Normal Course Issuer Bid ("NCIB") program.

- Purchased US$45.0 million of US Senior Notes.
- Lowered interest expense to $2.7 million from $11.5 million in the first quarter of 2007.
- Purchased an additional 6,400 Common Shares under the NCIB, resulting in a total of 3.3 million Common Shares being purchased and cancelled.

REVIEW OF OPERATIONS

Paramount's average daily sales volumes by corporate operating unit for the three months ended March 31, 2008 and December 31, 2007 are summarized below:

	Q1 2008			Q4 2007			Change		
	Natural Gas	**Oil and NGLs**	**Total**	Natural Gas	Oil and NGLs	Total	Natural Gas	Oil and NGLs	Total
	MMcf/d	**Bbl/d**	**Boe/d**	MMcf/d	Bbl/d	Boe/d	MMcf/d	Bbl/d	Boe/d
Kaybob	**20.3**	**770**	**4,144**	19.7	458	3,733	0.6	312	411
Grande Prairie	**8.8**	**689**	**2,161**	9.3	476	2,020	(0.5)	213	141
Northern	**19.3**	**760**	**3,983**	20.9	589	4,073	(1.6)	171	(90)
Southern	**15.6**	**1,586**	**4,183**	16.4	1,457	4,188	(0.8)	129	(5)
Other	**1.8**	**6**	**304**	1.3	4	234	0.5	2	70
Total	**65.8**	**3,811**	**14,775**	67.6	2,984	14,248	(1.8)	827	527

Kaybob

Kaybob sales volumes increased eleven percent to 4,144 Boe/d mainly due to drilling and tie-in activities completed in Smoky and Musreau, partly offset by natural production declines.

Capital expenditures for the quarter totaled $26.3 million, excluding land. Activities included drilling nine (5.5 net) wells, of which two (1.3 net) wells are currently producing, and seven (4.2 net) wells are awaiting completion or tie-in. During the quarter, 10 (5.0 net) wells drilled in previous quarters were completed and brought on production. The Company anticipates drilling three (1.0 net) wells during the remainder of the year in addition to continuing completion and tie-in activities.

Kaybob continues to focus its efforts on reducing per-well drilling, completion, equipping, and tie-in costs by a targeted one third. Regulatory applications have been filed to allow the drilling of up to four wells per section in 65 sections of land in the Musreau, Resthaven and Smoky areas. Cost savings from downspacing are expected to be realized through pad drilling (and the reduced equipment mobilization costs), and shared production facilities and pipelines. Approvals for the various downspacing applications are anticipated before the end of the year. As expected, first quarter average per well drilling, completion and tie-in costs in the Deep Basin were similar to prior years. Achievement of the Company's cost reduction target is expected to be realized over the next two to three year's drilling programs.

Grande Prairie

Grande Prairie sales volumes increased seven percent to 2,161 Boe/d in Grande Prairie, primarily due to oil production increases at Crooked Creek, partly offset by natural declines. Additionally, decline rates at Mirage were lower than anticipated.

A total of seven (3.3 net) wells were drilled during the quarter, of which six (2.7 net) wells are cased and awaiting tie-in or completion, and one (0.6 net) well was dry and abandoned. Grande Prairie was unable to complete its full winter drilling program as surface access and regulatory issues delayed the start of the capital program by two months. Total capital expenditures in Grande Prairie for the first quarter were $9.1 million, excluding land.

At Crooked Creek, Paramount drilled three (1.8 net) exploratory wells on the Northeast extension of the deep Crooked Creek light sweet oil trend. Two (1.2 net) potential oil wells were cased with completion and tie-in anticipated in the third quarter, and one (0.6 net) well was abandoned. These wells are critical to defining the Crooked Creek area development plan to be executed over the next three drilling seasons, including the related infrastructure requirements. Access permitting, Paramount plans to drill five (3.0 net) additional wells in the immediate area of the two discoveries later this year.

As part of the waterflood program in Crooked Creek, one (0.2 net) water injection well was drilled and completed in early 2008 in the Beaverhill Lake "A" pool. This well was designed to inject sufficient volumes of water such that Paramount and its partners could increase oil production by 5,000 Boe/d (850 Boe/d net) under good production practice. Due to delays in obtaining regulatory approval for the commencement of injection, water injection in this new well was not initiated during the first quarter as forecast, and is projected to start in the fourth quarter. During the first quarter, pipeline and water treatment infrastructure investments were made to accommodate the waterflood program, including expansion of the non-operated 2-30 battery (18% working interest) to accommodate higher oil and gas volumes. In addition, three (0.5 net) wells drilled in 2007 by Paramount were brought on-stream in the first quarter.

Weather related surface access issues hampered development activities on the Karr gas project, including a planned workover of a well to optimize production. Access permitting, production from the two wells in Karr is expected to commence during the summer. In addition, drilling of an additional well at Karr is planned for 2008, along with the recompletion of an existing well on newly acquired lands.

Northern

Northern sales volumes decreased two percent to 3,983 Boe/d due to the scheduled Bistcho plant turnaround in January and the shut-in of the Maxhamish facility during the fourth quarter of 2007. In addition, production from the West Liard facility was suspended in March, as planned.

Northern completed its winter drilling program, drilling six (3.5 net) wells, of which three (1.5 net) wells were successfully completed and tied-in with production commencing the first week of April, one (0.5 net) well was dry and abandoned, and the remaining two (1.5 net) wells were successfully drilled and cased. Capital expenditures totaled $10.1 million, excluding land, with most of the activity occurring in Bistcho.

Northern's 2008 capital program is substantially complete with minimal expenditures planned for the remainder of the year as the properties are predominately accessible only during winter. In addition, Northern continues to evaluate its prospects and producing properties and is considering disposing of certain assets if warranted.

Southern

Southern sales volumes were comparable between quarters as production increases from wells tied-in and brought on production during the first quarter in North Dakota and Montana were offset by natural declines from properties in Southern Alberta. Production from the Chain region was comparable between quarters, and is expected to remain flat for the year.

Southern's capital expenditures for the quarter totaled $18.1 million (excluding land), the majority of which was directed towards North Dakota. During the quarter four (3.0 net) wells were drilled in North Dakota, of which three (2.0 net) wells are currently producing and one (1.0 net) well is awaiting completion.

Development of the Outlook field in Montana continued with two (0.5 net) oil wells drilled during the quarter, both of which were on production by the start of the second quarter. In addition, one (0.2 net) well drilled in the fourth quarter of 2007 was brought on production in the first quarter.

Capital expenditures for the remainder of year will continue to focus in western North Dakota, targeting light oil from the Bakken and Birdbear formations. The main focus of the drilling is in the Beavercreek area for Birdbear, and along the Bicentennial Anticline trending from Beavercreek to Mondak for Bakken. Recent competitor wells in this area have come on production at rates of 200 to 400 Bbl/d of light oil. Southern anticipates drilling 13 (12.0 net) wells in North Dakota during the remainder of the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A"), dated May 7, 2008, should be read in conjunction with the unaudited Interim Consolidated Financial Statements of Paramount Resources Ltd. ("Paramount" or the "Company") for the three months ended March 31, 2008 and Paramount's audited Consolidated Financial Statements and MD&A for the year ended December 31, 2007. Amounts are presented in Canadian dollars unless otherwise stated. The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles (''GAAP") in Canada.

This document contains forward-looking statements, non-GAAP measures and disclosures of barrels of oil equivalent volumes. Readers are referred to the "Advisories" heading in this document concerning such matters.

In this document "funds flow from operations", "funds flow from operations per share - diluted", "netback" and "net debt", collectively the "Non-GAAP measures", are presented as indicators of Paramount's financial performance. The Non-GAAP measures do not have standardized meanings prescribed by GAAP and, therefore, are unlikely to be comparable to similar measures presented by other issuers. Funds flow from operations excludes the impacts of non-commodity financial derivatives. Certain comparative figures have been reclassified to conform to the current years presentation.

Additional information concerning Paramount, including its Annual Information Form, can be found on the SEDAR website at www.sedar.com.

Paramount is an independent Canadian energy company involved in the exploration, development, production, processing, transportation and marketing of petroleum and natural gas. Management's strategy is to maintain a balanced portfolio of opportunities, to grow reserves and production in Paramount's Principal Properties while maintaining a large inventory of undeveloped acreage, and to selectively pursue higher risk/higher return prospects. Paramount has spun-out three public entities: (i) Paramount Energy Trust in February, 2003; (ii) Trilogy Energy Trust ("Trilogy") in April, 2005; and (iii) MGM Energy Corp. ("MGM Energy") in January, 2007. Paramount continues to hold investments in the securities of Trilogy and MGM Energy and also holds investments in other corporations as part of its portfolio of Strategic Investments.

Paramount has defined its continuing operations into three business segments, established by management to assist in resource allocation, assessing operating performance and achieving long-term strategic objectives: i) Principal Properties; ii) Strategic Investments; and iii) Corporate.

Paramount's Principal Properties are divided into four Corporate Operating Units ("COUs") as follows:

- Kaybob consisting of properties in West Central Alberta;
- Grande Prairie consisting of properties in Central Alberta;
- Northern consisting of properties in Northern Alberta, the Northwest Territories and Northeast British Columbia; and
- Southern consisting of properties in Southern Alberta, Saskatchewan, Montana and North Dakota.

Strategic Investments include investments in other entities, including affiliates, and development stage assets where there is no near-term expectation of production, but a longer-term value proposition based on spin-outs, sales, or future revenue generation.

The Corporate segment is comprised of income and expense items, including general and administrative expense, interest expense and taxes that have not been specifically allocated to Principal Properties or Strategic Investments.

First Quarter 2008 Highlights

Three months ended March 31	2008	2007
($ millions, except as noted)		
Financial		
Funds flow from operations	**24.2**	37.9
per share - diluted ($/share)	**0.36**	0.54
Net loss	**(38.0)**	(16.1)
per share - basic and diluted ($/share)	**(0.56)**	(0.23)
Petroleum and natural gas sales	**77.0**	78.8
Total assets	**1,217.0**	1,540.8
Long-term debt	**94.6**	510.3
Net debt	**98.2**	689.1
Operational		
Sales volumes		
Natural gas (MMcf/d)	**65.8**	84.8
Oil and NGLs (Bbl/d)	**3,811**	3,636
Total (Boe/d)	**14,775**	17,773
Average realized price		
Natural gas ($/Mcf)	**7.68**	7.72
Oil and NGLs ($/Bbl)	**89.44**	60.84
Wells drilled (net)	**16**	82

Significant Events

Principal Properties

- Increased Kaybob's current quarter daily production by 11 percent from the fourth quarter of 2007.
- Drilled four (3.0 net) wells in North Dakota in addition to two (0.5 net) wells in Montana, furthering Southern's light oil program.
- Sold non-core Northern facilities and properties for $6.4 million, including $5.0 million for the Maxhamish facility and pipeline.

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Strategic Investments

- Invested $13.7 million in 1.9 million units of Trilogy through open market purchases and participated in Trilogy's distribution reinvestment plan, acquiring an additional 0.5 million units, increasing Paramount's equity ownership from 18.8 percent at December 31, 2007 to 21.1 percent at March 31, 2008.
- Invested $6.0 million in 6.1 million Class A common shares of NuLoch Resources Inc. ("NuLoch"), a TSX Venture Exchange listed company with properties in Alberta and Southeast Saskatchewan.
- Purchased 3.5 million common shares of Paxton Corporation ("Paxton"), a private company involved in greenhouse gas technology necessary for enhanced hydrocarbon recovery and power generation, for $4.8 million. Certain directors of Paramount are also directors and shareholders of Paxton.

Corporate

- Purchased US$45.0 million principal amount of Paramount's US Senior Notes on the open market.
- Received $75.0 million cash on repayment of the note receivable from MEG Energy Corp. ("MEG Energy").
- Purchased 6,400 Common Shares for cancellation under Paramount's Normal Course Issuer Bid ("NCIB") program for $0.1 million.
- Reduced interest expense to $2.7 million from $11.5 million in the first quarter of 2007.

Funds Flow From Operations

The following is a reconciliation of funds flow from operations to the nearest GAAP measure:

($ millions, except as noted)	**Q1 2008**	Q1 2007
Cash flow from operating activities	**33.1**	29.2
Change in non-cash working capital	**(8.9)**	8.7
Funds flow from operations	**24.2**	37.9
Funds flow from operations ($/Boe)	**17.98**	23.71

Paramount's first quarter funds flow from operations decreased in 2008 to $24.2 million from $37.9 million in 2007. This decrease was primarily due to realized losses on financial commodity contracts of $2.2 million in 2008 versus gains of $17.2 million in 2007, partially offset by lower interest expense.

The variances in funds flow from operations between the first quarter of 2007 and 2008 are summarized as follows:

	$ millions
Funds Flow From Operations – Three months ended March 31, 2007	37.9
Favourable (unfavourable) variance	
Petroleum and natural gas sales	(1.8)
Realized gains or losses on financial commodity contracts	(19.4)
Royalties	(0.1)
Operating and transportation expense	(1.6)
General and administrative expense	0.4
Stock-based compensation expense	(0.2)
Interest expense	8.6
Distributions from equity investments	(0.5)
Other expenses	(1.1)
Other income	2.0
Total variance	(13.7)
Funds Flow From Operations– Three months ended March 31, 2008	**24.2**

Net Loss

The variances in net loss between the first quarter of 2007 and 2008 are summarized as follows:

	$ millions
Net Loss– Three months ended March 31, 2007	(16.1)
Favourable (unfavourable) variance	
Impact of variances in funds flow from operations	(13.7)
Unrealized gain (loss) on financial commodity contracts	5.8
Stock-based compensation – non cash portion	(9.6)
Depletion, depreciation and accretion	5.4
Dry hole	42.3
Loss on sale of property, plant and equipment	(0.5)
Income from equity investments	(28.9)
Non-controlling interest	(10.5)
Unrealized foreign exchange	(5.2)
Future income tax	(10.2)
Other	3.2
Total variance	(21.9)
Net Loss– Three months ended March 31, 2008	**(38.0)**

The first quarter 2007 net loss includes MGM Energy's net loss of $25.0 million. MGM Energy's results of operations were consolidated with Paramount's until May 29, 2007 and include $34.8 million of dry hole costs.

Principal Properties

Netbacks and Segment Loss

($ millions)	**Q1 2008**	Q1 2007
Revenue	**77.0**	78.8
Royalties	**(13.3)**	(13.2)
Operating expenses	**(24.9)**	(23.0)
Transportation expenses	**(4.0)**	(4.3)
Netback excluding realized financial commodity contracts	**34.8**	38.3
Realized gain (loss) on financial commodity contracts	**(2.2)**	17.2
Netback including realized gain (loss) on commodity contracts	**32.6**	55.5
Other Principal Property items (see below)	**(50.0)**	(63.1)
Segment loss	**(17.4)**	(7.6)

Revenue

($ millions)	**Q1 2008**	Q1 2007	% change
Natural gas sales	**45.9**	58.9	(22)
Oil and NGLs sales	**31.1**	19.9	56
Total	**77.0**	78.8	(2)

Revenue from natural gas, oil and NGLs sales in 2008 was $77.0 million, down two percent from 2007 due primarily to the impact of lower natural gas sales volumes, partially offset by higher realized oil and NGLs prices and sales volumes.

The impact of changes in prices and volumes on petroleum and natural gas sales revenue for the three months ended March 31, 2008 are as follows:

($ millions)	Natural gas	Oil and NGLs	Total
Three months ended March 31, 2007	58.9	19.9	78.8
Effect of changes in prices	(0.3)	9.8	9.5
Effect of changes in sales volumes	(12.7)	1.4	(11.3)
Three months ended March 31, 2008	**45.9**	**31.1**	**77.0**

Sales Volumes

	Q1 2008			Q1 2007			Change		
	Natural Gas	**Oil and NGLs**	**Total**	Natural Gas	Oil and NGLs	Total	Natural Gas	Oil and NGLs	Total
	MMcf/d	**Bbl/d**	**Boe/d**	MMcf/d	Bbl/d	Boe/d	MMcf/d	Bbl/d	Boe/d
Kaybob	**20.3**	**770**	**4,144**	21.8	407	4,047	(1.5)	363	97
Grande Prairie	**8.8**	**689**	**2,161**	13.5	885	3,134	(4.7)	(196)	(973)
Northern	**19.3**	**760**	**3,983**	27.3	989	5,536	(8.0)	(229)	(1,553)
Southern	**15.6**	**1,586**	**4,183**	20.3	1,354	4,744	(4.7)	232	(561)
Other	**1.8**	**6**	**304**	1.9	1	312	(0.1)	5	(8)
	65.8	**3,811**	**14,775**	84.8	3,636	17,773	(19.0)	175	(2,998)

First quarter average daily natural gas sales volumes decreased to 65.8 MMcf/d in 2008 compared to 84.8 MMcf/d in 2007. The decrease was primarily a result of production declines in Northern at Bistcho and the shut-in of the Maxhamish facility in October 2007 and Liard West in March of 2008. Other decreases included normal production declines in Grande Prairie and property sales in Southern. Production increases from new wells in Kaybob were more than offset by normal production declines as Kaybob's 2008 capital spending was lower compared to 2007.

First quarter average daily crude oil and NGLs sales volumes increased to 3,811 Bbl/d in 2008 compared to 3,636 Bbl/d in 2007 as a result of Paramount's North Dakota oil program and incremental NGLs in Kaybob. These increases were partially offset by natural declines and facility shut-ins in Northern and normal declines in Grande Prairie.

Commodity Prices

Key monthly average commodity price benchmarks and foreign exchange rates are as follows:

	Q1 2008	Q1 2007	% change
Natural Gas			
New York Mercantile Exchange (Henry Hub Close) (US$/MMbtu)	**8.03**	6.77	19
AECO (Cdn$/GJ)	**6.76**	7.07	(4)
Crude Oil			
West Texas Intermediate (US$/Bbl)	**97.90**	58.27	68
Edmonton Par (Cdn$/Bbl)	**98.13**	67.76	45
Foreign Exchange			
Cdn$/1US$	**1.00**	1.17	(15)

Average Realized Prices

	Q1 2008	Q1 2007	% change
Natural gas ($/Mcf)	**7.68**	7.72	(1)
Oil and NGLs ($/Bbl)	**89.44**	60.84	47
Total ($/Boe)	**57.25**	49.28	16

Paramount's first quarter average realized natural gas price for 2008, before realized losses on financial commodity contracts, decreased to $7.68/Mcf compared to $7.72/Mcf in 2007. Paramount's average realized natural gas price is based on prices received at the various markets in which it sells natural gas. Paramount's natural gas sales portfolio primarily consists of sales priced at the Alberta spot market, Eastern Canadian markets, and California markets. Paramount's natural gas production is sold in a combination of daily and monthly contracts.

Paramount's first quarter average realized oil and NGLs price for 2008, before realized losses on financial commodity contracts, increased to $89.44/Bbl compared to $60.84/Bbl in 2007. Paramount's Canadian oil and NGLs sales portfolio primarily consists of sales priced relative to Edmonton Par, adjusted for transportation and quality differentials. Paramount's United States oil and NGLs sales portfolio is sold at the lease with differentials negotiated relative to West Texas Intermediate crude oil prices.

Commodity Price Management

Paramount, from time to time, uses financial and physical commodity price instruments to reduce exposure to commodity price volatility.

Paramount has not designated any of the financial instrument contracts as hedges, and as a result changes in the fair value of these contracts are recognized in earnings.

Settlements for financial commodity contracts are as follows:

($ millions, except as noted)	**Q1 2008**	Q1 2007
(Loss) gain on settlement	**(2.2)**	17.2
Realized (loss) gain ($/Boe)	**(1.64)**	10.75

During the first quarter of 2008, Paramount settled floating to fixed oil price swaps resulting in a realized loss of $2.2 million (2007 - gain of $2.0 million). In the prior year, floating to fixed gas swaps were settled resulting in realized gains of $15.2 million. At March 31, 2008, Paramount had the following commodity contracts outstanding:

($ millions, except as noted)	**Total Notional**	**Average Price**	**Fair Value**	**Remaining Term**
Gas - NYMEX	40,000 MMbtu/d	Fixed - US$8.98/MMbtu	**(9.4)**	April 2008 - October 2008
Gas - NYMEX	20,000 MMbtu/d	Fixed - US$9.99/MMbtu	**(2.8)**	November 2008 - March 2009
Crude - WTI	1,000 Bbl/d	Fixed - US$73.48/Bbl	**(7.5)**	April 2008 - December 2008
			(19.7)	

Paramount also has a long-term physical contract to sell 3,400 GJ/d of natural gas at a fixed price of $2.52/GJ plus an escalation factor, expiring in 2011.

Royalties

($ millions, except as noted)	**Q1 2008**	Q1 2007	% change
Natural gas	**8.7**	9.4	(7)
Oil and NGLs	**4.6**	3.8	21
Total	**13.3**	13.2	1
$/Boe	**9.89**	8.25	20
Royalty rate (%)	**17.3**	16.7	4

First quarter royalties increased to $13.3 million in 2008 compared to $13.2 million in 2007. Paramount's natural gas royalties decreased by seven percent, primarily as a result of production decreases while oil and NGLs royalties increased by 21 percent due to price and production increases. Royalties increased in Kaybob and Southern consistent with production increases offset by decreases in Northern and Grande Prairie.

The impact of changes in revenue and royalty rates on royalty expense for the three months ended March 31, 2008 is as follows:

($ millions)	Total
Three months ended March 31, 2007	13.2
Effect of changes in revenue	(0.3)
Effect of changes in royalty rates	0.4
Three months ended March 31, 2008	**13.3**

Operating Expense

($ millions, except as noted)	**Q1 2008**	Q1 2007	% change
Operating expense	**24.9**	23.0	8
$ / Boe	**18.54**	14.40	29

Operating expenses in the first quarter of 2008 increased 8 percent to $24.9 million compared to $23.0 million in 2007. Over half of the operating expenses in the quarter were attributable to Northern and included higher turnaround costs at Bistcho, pump changes at Cameron Hills, shut-in costs of West Laird and increases in other seasonal costs. Overall, Northern's operating costs increased over $3.0 million from the prior year. Operating expenses have also increased in Southern, consistent with production increases and decreased in Grande Prairie due to production decreases at Mirage and Ante Creek.

Transportation Expense

($ millions, except as noted)	**Q1 2008**	Q1 2007	% change
Transportation expense	**4.0**	4.3	(7)
$ / Boe	**2.99**	2.68	12

First quarter transportation expense decreased to $4.0 million in 2008 compared to $4.3 million in 2007, primarily as a result of lower volumes, particularly in Northern. Transportation costs per Boe increased in the current year due to the impacts of less production volume over fixed costs.

Per Unit Netbacks

	Q1 2008	Q1 2007
Natural gas ($/Mcf)		
Revenue	**7.68**	7.72
Royalties	**(1.45)**	(1.23)
Operating expenses	**(3.36)**	(2.40)
Transportation	**(0.59)**	(0.53)
Netback excluding realized financial commodity contracts	**2.28**	3.56
Realized gain on natural gas financial commodity contracts	**-**	1.99
Netback including realized gain on commodity contracts	**2.28**	5.55
Conventional oil ($/Bbl)		
Revenue	**89.56**	59.70
Royalties	**(11.79)**	(9.69)
Operating expenses	**(15.22)**	(15.31)
Transportation	**(1.36)**	(0.74)
Netback excluding realized financial commodity contracts	**61.19**	33.96
Realized (loss) gain on crude oil financial commodity contracts	**(8.49)**	7.34
Netback including realized (loss) gain on financial commodity contracts	**52.70**	41.30
Natural gas liquids ($/Bbl)		
Revenue	**89.05**	65.88
Royalties	**(18.16)**	(20.15)
Operating expenses	**(9.59)**	(10.09)
Transportation	**(1.78)**	(1.32)
Netback	**59.52**	34.32
All products ($/Boe)		
Revenue	**57.25**	49.27
Royalties	**(9.89)**	(8.25)
Operating expenses	**(18.54)**	(14.40)
Transportation	**(2.99)**	(2.68)
Netback excluding realized financial commodity contracts	**25.83**	23.94
Realized (loss) gain on financial commodity contracts	**(1.64)**	10.75
Netback including realized (loss) gain on financial commodity contracts	**24.19**	34.69

Other Principal Property Items

	Q1 2008	Q1 2007
Depletion, depreciation and accretion	**27.5**	33.4
Exploration	**3.8**	2.6
Dry hole	**5.3**	7.8
Loss on sale of property plant and equipment	**0.5**	-
Loss on commodity contracts – net of settlements	**12.9**	18.6
Other items	**-**	0.7
Total	**50.0**	63.1

Depletion, depreciation and accretion expense ("DD&A expense") for the first quarter decreased to $27.5 million or $20.45/Boe in 2008 compared to $33.4 million or $20.89/Boe in 2007. The decrease in DD&A expense is primarily the result of lower production offset by higher mineral lease expiries.

Dry hole expense was $5.3 million for the first quarter 2008 compared to $7.8 million in 2007. The 2008 dry hole expense related primarily to unsuccessful wells in Northern and Grande Prairie.

Strategic Investments

($ millions)	Q1 2008	Q1 2007
Income (loss) from equity investments	**(12.7)**	16.2
Exploration	**-**	(2.7)
Dry hole	**-**	(39.8)
Other expenses	**(1.1)**	(2.6)
Other income	**0.4**	-
Non-controlling interest	**-**	10.5
Segment Loss	**(13.4)**	(18.4)

Strategic Investments at March 31, 2008 include the following:

- investments in Trilogy, MGM Energy, Nuloch, and Paxton;
- oil sands investments, including shares in MEG Energy and carbonate bitumen holdings; and
- drilling rigs in the United States operated by Paramount's wholly owned subsidiary, Paramount Drilling U.S. LLC ("Paramount Drilling").

MEG Energy is a private company focused on oil sands development in the Athabasca region of Alberta. MEG Energy owns a 100 percent working interest in over 750 square miles of oil sands leases including 80 contiguous square miles of oil sands leases in the Christina Lake area.

Paxton is a private company, developing technology to capture greenhouse gas for improved hydrocarbon recovery and power generation where bitumen based fuels are economically available. Nuloch is a TSX Venture listed oil and gas company with properties in Alberta and Southeast Saskatchewan.

Paramount Drilling commenced operations during the second half of 2007, drilling for Paramount in North Dakota with two rigs.

The loss from equity investments includes a $4.5 million dilution loss related to flow through share renouncements by MGM Energy and equity losses of $8.2 million. Prior year income from equity investments includes dilution gains of $24.7 million related to MGM Energy and $5.5 million of dilution losses related to North American Oil Sands Corp ("North American").

Until May 29, 2007, Paramount owned greater than 50 percent of MGM Energy's common shares and the results of operations and cash-flows of MGM Energy were consolidated in the financial results of Paramount. Subsequent to May 29, 2007, Paramount accounts for its investment in MGM Energy using the equity method. Prior to the January 12, 2007 spin-out of MGM Energy, the Mackenzie Delta and other Northern assets spun-out to MGM Energy were included in the Strategic Investment segment.

Dry hole and exploration expenses for 2007 related to MGM Energy's 2006/2007 winter drilling program.

Corporate

($ millions)	**Q1 2008**	Q1 2007
General and administrative	**7.7**	6.7
Stock-based compensation	**3.6**	(6.8)
Interest and financing charges	**2.7**	11.5
Debt extinguishment and other	**1.5**	-
Foreign exchange (gain) loss	**2.1**	(3.0)
Other (income) expense	**(1.9)**	0.3
Corporate costs	**15.7**	8.7

First quarter Corporate segment net costs totalled $15.7 million in 2008 compared to $8.7 million in 2007. The increase was primarily related to stock-based compensation charges in the current year compared to recoveries in 2007. Paramount's general and administrative expenses increased primarily due to reduced capital and related party recoveries.

Interest and financing charges for 2008 were $2.7 million compared to $11.5 million in 2007, as Paramount had lower average debt levels in the first quarter of 2008 compared to the first quarter of 2007. Debt extinguishment costs of $1.3 million were expensed in connection with Paramount's repurchase of US$45 million US Senior Notes in the first quarter. The foreign exchange gain/loss includes the impacts of changes in the US/Canadian dollar exchange rate on Paramount's US dollar denominated debt offset by the foreign exchange collar.

Other income includes interest income earned on Paramount's short-term investments including the MEG Energy note receivable which was repaid in March 2008.

Capital Expenditures

($ millions)	Q1 2008	Q1 2007
Geological and geophysical	3.8	4.6
Drilling and completions	47.4	83.5
Production equipment and facilities	12.9	50.3
Exploration and development expenditures	64.1	138.4
Land and property acquisitions	2.2	6.7
Cash proceeds on property dispositions	(6.4)	(0.9)
Principal Properties	59.9	144.2
Strategic Investments	-	42.4
Corporate	0.2	0.2
Net capital expenditures	60.1	186.8

First quarter exploration and development expenditures totalled $64.1 million compared to $138.4 million in 2007. Paramount's 2008 exploration and development budget is $130 million and capital spending for the remainder of the year is expected to be primarily directed at Southern's North Dakota oil program and to a lesser extent, Grande Prairie and Kaybob. Capital spending in Northern is substantially complete for 2008. The current year dispositions include facilities and property disposals in Northern as part of Paramount's ongoing strategy to divest of non-core properties.

Prior year Strategic Investment capital expenditures included spending related to oil sands projects, MGM Energy and drilling rigs.

Wells drilled are as follows:

(wells drilled)	Q1 2008		Q1 2007	
	Gross[1]	Net[2]	Gross[1]	Net[2]
Gas	16	10	48	31
Oil	10	5	9	5
Heavy oil and oil sands evaluation	-	-	43	43
Dry & Abandoned [3]	2	1	4	3
Total	28	16	104	82

[1] Gross wells is the number of wells that Paramount has a working interest or a royalty interest that may be converted to a working interest.
[2] Net wells is the aggregate number of wells obtained by multiplying each gross well by Paramount's percentage of working interest.
[3] Dry & Abandoned for 2007 includes two (2.0 net) wells drilled by MGM Energy.

Liquidity and Capital Resources

($ millions)	**March 31, 2008**	December 31, 2007	Change
Working capital deficit (surplus)	**1.5**	(120.6)	122.1
Credit facility	**-**	-	-
US Senior Notes [1]	**95.8**	136.5	(40.7)
Stock-based compensation liability	**0.9**	-	0.9
Net debt	**98.2**	15.9	82.3
Share capital	**306.7**	313.8	(7.1)
Contributed surplus	**1.6**	1.4	0.2
Retained earnings	**555.2**	593.5	(38.2)
Accumulated Other Comprehensive Income	**0.1**	-	0.1
Total	**961.9**	924.6	37.3

(1) Excludes unamortized financing charges.

Working Capital

Paramount's working capital deficit at March 31, 2008 was $1.5 million compared to a surplus of $120.6 million at December 31, 2007. Included in working capital at March 31, 2008 was $51.7 million in cash and cash equivalents and $1.1 million in short-term investments. The Company received $75 million cash from MEG Energy during the quarter for the repayment of a note receivable. The decrease in working capital is primarily due to capital spending, repurchases of US Senior Notes, and investments in Trilogy, Nuloch, and Paxton.

Paramount expects to finance the remainder of its 2008 operations, contractual obligations, and capital expenditures from its existing cash and cash equivalents, funds flow from operations, and from available borrowing capacity, if required.

Bank Credit Facility

Subsequent to March 31, 2008, Paramount renewed its credit agreement and extended the revolving term to April 29, 2009. Both the gross and net borrowing base were adjusted to $150 million. At Paramount's request, the banking syndicate's commitment to lend up to $125 million remains unchanged. As of March 31, 2008, no balances were drawn on the credit facility; however, Paramount had undrawn letters of credit outstanding totalling $15.5 million that reduce the amount available to the Company under the credit facility.

US Senior Notes

During the first quarter of 2008, Paramount made additional open market purchases of US$45.0 million principal amount of its 8.5% US Senior Notes, further reducing the net principal outstanding to US$93.2 million (CAD$ 95.8 million) at March 31, 2008 from the original balance of US$213.6 million. Paramount may re-market the purchased debt at its discretion.

Share Capital

In 2007, the Company received regulatory approval for a NCIB ending on May 6, 2008. Under the NCIB, the Company was permitted to purchase up to 3,298,526 of its Common Shares for cancellation. Effective December 19, 2007, Paramount received regulatory approval for an amendment to the NCIB which increased the number of shares available for purchase to 3,546,859. During the first quarter of 2008, Paramount purchased and cancelled 6,400 Common Shares for $0.1 million. Purchases of 3,304,926 Common Shares for $54.9 million have been made under the NCIB, representing 4.7 percent of the Common Shares outstanding when the original NCIB was approved.

At May 5, 2008, Paramount had 67,737,124 Common Shares outstanding, 5,985,500 Stock Options (with each entitling the holder to acquire one Common Share) outstanding (743,600 exercisable) and 133,500 Holdco options outstanding (70,000 exercisable).

Quarterly Information

	2008		2007				2006	
($ millions, except as noted)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Funds flow from operations	**24.2**	22.9[1]	21.7	18.0	37.9[1]	26.1	37.3	65.8
per share - diluted ($/share)	**0.36**	0.33	0.31	0.25	0.54	0.38	0.54	0.95
Petroleum and natural gas sales	**77.0**	61.8	61.9	80.9	78.8	73.1	77.9	73.7
Net earnings (loss)	**(38.0)**	(156.5)	(82.2)	671.0	(16.1)	(159.6)	22.2	111.9
per share - basic ($/share)	**(0.56)**	(2.29)	(1.17)	9.46	(0.23)	(2.32)	0.33	1.65
per share - diluted ($/share)	**(0.56)**	(2.29)	(1.17)	9.34	(0.23)	(2.32)	0.32	1.61
Sales volumes								
Natural gas (MMcf/d)	**65.8**	67.6	73.5	89.5	84.8	79.0	81.4	83.2
Oil and NGLs (Bbl/d)	**3,811**	2,984	3,977	3,561	3,636	3,937	3,901	3,423
Total (Boe/d)	**14,775**	14,248	16,231	18,480	17,773	17,104	17,471	17,297
Average realized price								
Natural gas ($/Mcf)	**7.68**	6.43	5.31	7.35	7.72	7.20	7.07	6.98
Oil and NGLs ($/Bbl)	**89.44**	79.77	70.99	64.66	60.84	57.47	69.32	66.79

(1) Includes reclassification of FX collar to conform to current years presentation

Significant Items Impacting Quarterly Results

Quarterly earnings variances include the impacts of changing production volumes and market prices.

First quarter 2008 earnings include $12.7 million of equity investment losses primarily related to MGM Energy and unrealized losses on financial commodity contracts.

Fourth quarter 2007 earnings include a $192.4 million write-down of petroleum and natural gas properties, primarily related to natural gas producing properties.

Third quarter 2007 earnings include a write-down of petroleum and natural gas properties of $79.6 million related to Kaybob and Northern.

Second quarter 2007 earnings include a pre-tax $528.6 million gain on the sale of North American and a pre-tax gain of $282.2 million on the sale of property, plant and equipment, including $271.0 million related to the sale of the assets in the Surmont, Alberta area.

First quarter 2007 earnings include $47.6 million of dry hole expenses, including $39.8 million related to MGM Energy's 2006/2007 drilling program and an $18.9 million future income tax recovery.

Fourth quarter 2006 earnings include a write-down of petroleum and natural gas properties of $182.5 million.

Third quarter 2006 earnings include $24.2 million of financial instrument gains and a $14.7 million stock-based compensation recovery.

Second quarter 2006 earnings include a dilution gain of $101.0 million from Trilogy and North American and dry hole expenses of $12.2 million.

Subsequent Events

Paramount entered into the following commodity contracts subsequent to March 31, 2008:

Commodity	Notional/Quantity	Price	Term
Gas - AECO - Financial	20,000 GJ/d	Fixed - $9.50/GJ	November 2008 - March 2009
Gas - Physical	20,000 GJ/d	Fixed - $8.72/GJ	April 2008 - June 2008
Crude - WTI - Financial	1,000 Bbl/d	Fixed - US$107.31/Bbl	May 2008 - December 2008

Related Party Transactions

On January 12, 2007, Paramount Resources Ltd. completed a reorganization pursuant to a plan of arrangement under the *Business Corporations Act (Alberta)* (the "MGM Spinout") involving Paramount Resources Ltd., its shareholders and MGM Energy, a wholly-owned subsidiary of Paramount immediately prior to the MGM Spinout.

Significant Equity Investees

The following table summarizes the assets, liabilities and results of operations of Paramount's significant equity investees. The amounts summarized have been derived directly from the investees' financial statements as at and for the periods ended March 31, 2008 and 2007, and do not include Paramount's adjustments when applying the equity method of investment accounting. As a result, the amounts included in the table below cannot be used to derive Paramount's equity income and net investment in Trilogy and MGM Energy.

($ millions)	Trilogy		MGM Energy	
As at March 31	**2008**	2007	**2008**	2007[2]
Current assets	**$ 55.2**	$ 63.1	**$ 80.0**	$ 63.6
Long term assets	**897.3**	1,013.7	**252.0**	66.6
Current liabilities	**112.4**	154.1	**57.2**	28.6
Long term liabilities	**469.3**	419.6	**1.4**	3.3
Equity	**370.8**	503.1	**273.4**	98.3
Three months ended March 31	**2008**	2007	**2008**	2007
Revenue	**$ 69.9**	$ 84.7	**$ 1.0**	$ 0.3
Expenses	**65.8**	75.3	**60.3**	39.1
Taxes	**3.2**	-	**(13.7)**	(11.5)
Net Earnings (loss)	**$ 0.9**	$ 9.4	**$ (45.6)**	$ (27.3)
Units/shares outstanding at March 31	**95,641,907**	92,566,681	**128,944,844**	35,226,834
Paramount's equity interest at March 31[1]	**21.1%**	16.2%	**16.7%**	51.7

(1) Readers are cautioned that Paramount does not have any direct or indirect interest in or right to the equity investees' assets or revenue nor does Paramount have any direct or indirect obligation in respect of or liability for the equity investees' expenses or obligations.
(2) Paramount consolidated MGM Energy at March 31, 2007, as it owned 51.7% of the common shares.

Trilogy had 4.1 million trust unit options outstanding (0.2 million exercisable) at March 31, 2008 at exercise prices ranging from $6.65 to $23.95 per unit. MGM Energy had 3.2 million stock options outstanding (0.3 million exercisable) at March 31, 2008 at exercise prices averaging $4.97 per share.

Outlook Update

Paramount's first quarter production of 14,775 Boe/d is consistent with expectations. Paramount forecasts it will achieve average production of 15,000 to 15,250 Boe/d for 2008. The 2008 exploration and development budget of $130 million excluding land purchases remains unchanged.

Changes in Accounting Policies

Canadian GAAP

Effective January 1, 2008 the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation," which combined replaced Section 3861 "Financial Instruments – Disclosures and Presentation". Sections 3862 and 3863 require enhanced disclosure of financial instruments including the nature and extent of risks arising from financial instruments.

Effective January 1, 2008 the Company adopted CICA Handbook Section 1535 "Capital Disclosures", requiring disclosure related to the Company's objectives, policies, and processes for managing capital, including the extent of externally imposed capital requirements.

Future Accounting Changes

International Financial Reporting Standards

The Accounting Standards Board of Canada has announced that accounting standards in Canada, as used by public companies, will be converged to International Financial Reporting Standards for fiscal years beginning January 1, 2011. The Company is currently assessing the impact of these new standards.

Advisories

Forward-looking Statements

Certain statements included in this document constitute forward-looking statements or information under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this document include, but are not limited to: business strategies and objectives, capital expenditures, reserve quantities and the undiscounted and discounted present value of future net revenues from such reserves, anticipated tax liabilities, future production levels, exploration and development plans and the timing thereof, abandonment and reclamation plans and costs, acquisition and disposition plans, operating and other costs and royalty rates.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. The following assumptions have been made, in addition to any other assumptions identified in this document:

- the ability of Paramount to obtain required capital to finance its exploration, development and operations;
- the ability of Paramount to obtain equipment, services and supplies in a timely manner to carry out its activities;
- the ability of Paramount to market its oil and natural gas successfully to current and new customers;
- the timing and costs of pipeline and storage facility construction and expansion and the ability of Paramount to secure adequate product transportation;
- the ability of Paramount and its industry partners to obtain drilling success consistent with expectations;
- the timely receipt of required regulatory approvals;
- currency, exchange and interest rates; and

- future oil and gas prices.

Although Paramount believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because Paramount can give no assurance that such expectations will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Paramount and described in the forward-looking statements or information. These risks and uncertainties include but are not limited to:

- the ability of Paramount's management to execute its business plan;
- the risks of the oil and gas industry, such as operational risks in exploring for, developing and producing crude oil and natural gas and market demand for oil and gas;
- the ability of Paramount to obtain required capital to finance its exploration, development and operations and the adequacy and costs of such capital;
- fluctuations in oil and gas prices, foreign currency exchange rates and interest rates;
- risks and uncertainties involving the geology of oil and gas deposits;
- risks inherent in Paramount's marketing operations, including credit risk;
- the uncertainty of reserves estimates and reserves life;
- the value and liquidity of Paramount's investments in other entities and the returns on such investments;
- the uncertainty of estimates and projections relating to exploration and development costs and expenses;
- the uncertainty of estimates and projections relating to future production and the results of exploration, development and drilling;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- the availability of future growth prospects and Paramount's expected financial requirements;
- Paramount's ability to obtain equipment, services, supplies and personnel in a timely manner to carry out its activities;
- Paramount's ability to enter into or continue leases;
- health, safety and environmental risks;
- Paramount's ability to secure adequate product transportation and storage;
- imprecision in estimates of product sales and the anticipated revenues from such sales;
- the ability of Paramount to add production and reserves through development and exploration activities;
- weather conditions;
- the possibility that government laws, regulations or policies may change or governmental approvals may be delayed or withheld;
- uncertainty in amounts and timing of royalty payments and changes to royalty regimes and government regulations regarding royalty payments;
- changes in taxation laws and regulations and the interpretation thereof;
- changes in environmental laws and regulations and the interpretation thereof;
- the cost of future abandonment activities and site restoration;
- the ability to obtain necessary regulatory approvals;
- risks associated with existing and potential future law suits and regulatory actions against Paramount;
- uncertainty regarding aboriginal land claims and co-existing with local populations;
- loss of the services of any of Paramount's executive officers or key employees;
- the impact of market competition;
- general economic and business conditions; and
- other risks and uncertainties described elsewhere in this document or in Paramount's other filings with Canadian securities authorities and the United States Securities and Exchange Commission.

The forward-looking statements or information contained in this document are made as of the date hereof and Paramount undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Non-GAAP Measures

"Funds flow from operations" is used to assist management in measuring the Company's ability to finance capital programs and meet financial obligations and refers to cash flows from operating activities before net changes in operating working capital. "Netback" equals petroleum and natural gas sales less royalties, operating costs and transportation costs. Refer to the calculation of "Net debt" in the liquidity and capital resources section of this document. Non-GAAP measures should not be considered in isolation or construed as alternatives to their most directly comparable measure calculated in accordance with GAAP, or other measures of financial performance calculated in accordance with GAAP.

Barrels of Oil Equivalent Conversions

This document contains disclosure expressed as "Boe" and "Boe/d". All oil and natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head.

PARAMOUNT RESOURCES LTD.
Consolidated Balance Sheets (Unaudited)
($ thousands)

As at	March 31 2008	December 31 2007
ASSETS		
Current assets		
Cash and cash equivalents	**$ 51,748**	$ 83,304
Short-term investments	**1,064**	95,675
Accounts receivable	**68,579**	63,982
Risk management assets (Note 9)	**2,149**	–
Prepaid expenses and other	**1,462**	1,874
	125,002	244,835
Property, plant and equipment	**779,092**	754,947
Long-term investments and other assets (Note 4)	**302,605**	289,775
Goodwill	**10,258**	10,258
	$ 1,216,957	$ 1,299,815
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 101,877**	$ 91,896
Risk management liabilities (Note 9)	**19,745**	28,980
Current portion of stock-based compensation liability (Note 7)	**4,852**	3,333
	126,474	124,209
Long-term debt (Note 5)	**94,623**	134,606
Asset retirement obligations (Note 6)	**96,707**	97,359
Stock-based compensation liability (Note 7)	**883**	66
Future income taxes	**34,532**	34,926
	353,219	391,166
Commitments and contingencies (Notes 9 and 12)		
Shareholders' equity		
Share capital	**306,690**	313,828
Contributed surplus	**1,596**	1,375
Retained earnings	**555,358**	593,450
Accumulated other comprehensive income (loss)	**94**	(4)
	863,738	908,649
	$ 1,216,957	$ 1,299,815

See the accompanying notes to these Interim Consolidated Financial Statements.

PARAMOUNT RESOURCES LTD.

Consolidated Statements of Loss (Unaudited)

($ thousands, except as noted)

Three months ended March 31	2008	2007
Revenue		
Petroleum and natural gas sales	**$ 76,976**	$ 78,821
Loss on financial commodity contracts (Note 9)	**(15,022)**	(1,419)
Royalties	**(13,295)**	(13,197)
	48,659	64,205
Expenses		
Operating	**24,928**	23,038
Transportation	**4,021**	4,292
General and administrative	**8,153**	8,598
Stock-based compensation (Note 7)	**3,607**	(6,258)
Depletion, depreciation and accretion	**28,177**	33,540
Exploration	**3,786**	5,307
Dry hole	**5,307**	47,602
(Gain) loss on sale of property, plant and equipment	**506**	(33)
Interest and financing charges	**2,690**	11,501
Foreign exchange (gain) loss (Note 9)	**2,083**	(2,963)
Debt extinguishment and other (Note 5)	**1,567**	690
	84,825	125,314
Income (loss) from equity investments (Note 4)	**(12,704)**	16,205
Other income (expense)	**2,340**	(285)
Non-controlling interest	**–**	10,467
Loss before tax	**(46,530)**	(34,722)
Income and other tax expense (recovery)		
Current and other tax expense	**228**	246
Future income tax (recovery)	**(8,720)**	(18,913)
	(8,492)	(18,667)
Net loss	**$ (38,038)**	$ (16,055)
Net loss per common share ($/share) (Note 8)		
Basic	**$ (0.56)**	$ (0.23)
Diluted	**$ (0.56)**	$ (0.23)

PARAMOUNT RESOURCES LTD.

Consolidated Statements of Shareholders' Equity (Unaudited)

($ thousands, except as noted)

	Three months ended March 31, 2008			Twelve months ended December 31, 2007		
Share Capital	**Shares 000's**			Shares 000's		
Balance, beginning of period	**67,681**	**$**	**313,828**	70,279	$	341,071
Issued on exercise of stock options	**18**		**275**	701		14,197
Share issuance costs, net of tax benefit	**–**		**–**	–		(165)
Tax effect of flow-through share renunciations and other	**–**		**(7,753)**	–		(21,684)
Common shares repurchased	**(6)**		**(30)**	(3,299)		(15,308)
Unvested common shares under stock incentive plan	**–**		**370**	–		(775)
Adjustment on MGM Energy spinout (Note 1)	**–**		**–**	–		(3,508)
Balance, end of period	**67,693**	**$**	**306,690**	67,681	$	313,828
Contributed Surplus						
Balance, beginning of period		**$**	**1,375**		$	–
Stock-based compensation expense on investees' options			**221**			1,375
Balance, end of period		**$**	**1,596**		$	1,375
Retained Earnings						
Balance, beginning of period		**$**	**593,450**		$	222,679
Adjustment on MGM Energy spinout (Note 1)			**–**			(5,901)
Common shares repurchased			**(54)**			(39,569)
Net earnings (loss)			**(38,038)**			416,241
Balance, end of period		**$**	**555,358**		$	593,450
Accumulated Other Comprehensive Income (Loss)						
Balance, beginning of period		**$**	**(4)**		$	–
Unrealized gain (loss) on available for sale assets			**98**			(4)
Balance, end of period		**$**	**94**		$	(4)
Total Shareholders' Equity		**$**	**863,738**		$	908,649

See the accompanying notes to these Interim Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

($ thousands)

	Three months ended March 31, 2008		Twelve months ended December 31, 2007	
Net earnings (loss)	**$**	**(38,038)**	$	416,241
Other comprehensive income (loss), net of tax				
Unrealized gain (loss) on available-for-sale investments		**98**		(4)
Comprehensive income (loss)	**$**	**(37,940)**	$	416,237

See the accompanying notes to these Interim Consolidated Financial Statements.

PARAMOUNT RESOURCES LTD.

Consolidated Statements of Cash Flows (Unaudited)

($ thousands)

Three months ended March 31	2008	2007
Operating activities		
Net loss	**$ (38,038)**	$ (16,055)
Add (deduct)		
Items not involving cash (Note 11)	**55,052**	2,305
Asset retirement obligation expenditures	**(2,558)**	(540)
Exploration and dry hole	**9,093**	52,218
Debt extinguishment costs	**626**	–
	24,175	37,928
Change in non-cash working capital	**8,920**	(8,707)
Cash from operating activities	**33,095**	29,221
Financing activities		
Net draw (repayment) of short-term debt and revolving long-term debt	**–**	110,630
Repayment of long-term debt	**(45,990)**	–
Settlement of foreign exchange contract	**(22,335)**	4,900
Common shares issued, net of issuance costs	**147**	3,226
Common shares repurchased	**(84)**	–
MGM Energy shares issued, net of issuance costs (Note 1)	**–**	78,545
Cash from (used in) financing activities	**(68,262)**	197,301
Investing activities		
Expenditures on property, plant and equipment and exploration	**(66,474)**	(186,835)
Proceeds on sale of property, plant and equipment	**6,363**	–
Long-term investments	**(28,270)**	–
Settlement of note receivable	**75,000**	–
Reorganization costs and other	**–**	(884)
Change in non-cash working capital	**16,992**	20,037
Cash used in investing activities	**3,611**	(167,682)
Increase (decrease) in cash and cash equivalents	**(31,556)**	58,840
Cash and cash equivalents, beginning of period	**83,304**	14,357
Cash and cash equivalents, end of period	**$ 51,748**	$ 73,197

Supplemental cash flow information (Note 11)

See the accompanying notes to these Interim Consolidated Financial Statements.

1. Basis of Presentation

The unaudited Interim Consolidated Financial Statements include the accounts of Paramount Resources Ltd. and its subsidiaries ("Paramount" or the "Company"), are stated in Canadian dollars, and have been prepared using accounting policies and methods of application that are consistent with Paramount's audited consolidated financial statements as at and for the year ended December 31, 2007. Paramount conducts its business through two business segments: Principal Properties and Strategic Investments.

Certain information and disclosures normally required to be included in notes to annual consolidated financial statements have been condensed or omitted. Accordingly, these unaudited Interim Consolidated Financial Statements should be read in conjunction with Paramount's audited consolidated financial statements as at and for the year ended December 31, 2007.

a) *MGM Energy Corp. - Basis of Presentation*

On January 12, 2007, Paramount completed the spinout of MGM Energy Corp. ("MGM Energy"). Until May 29, 2007, Paramount owned greater than 50 percent of the issued and outstanding common shares of MGM Energy ("MGM Shares"), and MGM Energy's financial position, results of operations and cashflows were included in the Consolidated Financial Statements of Paramount. As a result of an issuance of common shares by MGM Energy on May 30, 2007, Paramount's ownership interest in MGM Energy was reduced to less than 50 percent and accordingly, subsequent to May 29, 2007, Paramount accounts for its investment in MGM Shares using the equity method.

b) *Reclassification*

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

c) *Change in Estimate*

In accordance with its policy, the Company reviews depreciation estimates on an ongoing basis. As a result, effective January 1, 2008, the Company changed the usage pattern estimates of certain facilities and gathering systems to a unit of production method from a straight-line method to better reflect the observed usage and expected lives of these assets. The effect of this change in estimate for the three months ended March 31, 2008 was to increase depreciation expense by $3.3 million, increase future income tax recovery by $0.9 million, increase net loss by $2.4 million, and increase basic and diluted loss per share by $0.03.

2. Changes to Accounting Policies

As of January 1, 2008, Paramount adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535 – "Capital Disclosures". Additional disclosures required as a result of adopting the section are included in Note 10.

As of January 1, 2008 Paramount adopted new CICA Handbook Sections 3862 – "Financial Instruments – Disclosures" and 3863 – "Financial Instruments – Presentation". Additional disclosures required as a result of adopting these sections are included in Note 9.

3. Segmented Information

Paramount segregates its operations into the following segments, which have been established by management to assist in resource allocation, assessing operating performance, and achieving long-term strategic objectives:

- Principal Properties: Principal properties consist of: (i) the Kaybob Corporate Operating Unit ("COU"), which includes properties in West Central Alberta; (ii) the Grande Prairie COU, which includes properties in Central Alberta; (iii) the Northern COU, which includes properties in Northern Alberta, the Northwest Territories, and Northeast British Columbia; and (iv) the Southern COU, which includes properties in Southern Alberta, Saskatchewan, Montana and North Dakota. Goodwill is included in Principal Properties.
- Strategic Investments: Strategic investments include investments in other entities, including affiliates, and development stage assets where there is no near-term expectation of production, but a longer-term value proposition, based on spin-outs, sales, or future revenue generation. Paramount Drilling U.S. LLC ("Paramount Drilling") is included in Strategic Investments.
- Corporate: Corporate is comprised of income and expense items, including general and administrative expense, interest expense, and taxes that have not been specifically allocated to Principal Properties or Strategic Investments.

($ thousands, except as noted)

Three months ended March 31, 2008	**Principal Properties**	**Strategic Investments**	**Corporate**	**Total**
Revenue				
Petroleum and natural gas sales, net of royalties	$ 63,681	$ –	$ –	**$ 63,681**
Loss on financial commodity contracts	(15,022)	–	–	**(15,022)**
	48,659	–	–	**48,659**
Expenses				
Operating and transportation	28,949	–	–	**28,949**
General and administrative	–	468	7,685	**8,153**
Stock-based compensation	–	–	3,607	**3,607**
Depletion, depreciation and accretion	27,491	686	–	**28,177**
Exploration	3,786	–	–	**3,786**
Dry hole	5,307	–	–	**5,307**
Loss on sale of property, plant and equipment	506	–	–	**506**
Interest and financing charges	–	–	2,690	**2,690**
Foreign exchange loss	–	–	2,083	**2,083**
Debt extinguishment and other	–	–	1,567	**1,567**
	66,039	1,154	17,632	**84,825**
Income (loss) from equity investments and other income	–	(12,270)	1,906	**(10,364)**
Segment loss	$ (17,380)	$ (13,424)	$ (15,726)	**(46,530)**
Income and other tax recovery				**(8,492)**
Net loss				**$ (38,038)**

Three months ended March 31, 2007	Principal Properties	Strategic Investments	Corporate	Total
Revenue				
Petroleum and natural gas sales, net of royalties	$ 65,624	$ –	$ –	$ 65,624
Loss on financial commodity contracts	(1,419)	–	–	(1,419)
	64,205	–	–	64,205
Expenses				
Operating and transportation	27,330	–	–	27,330
General and administrative	–	1,913	6,685	8,598
Stock-based compensation	–	554	(6,812)	(6,258)
Depletion, depreciation and accretion	33,422	118	–	33,540
Exploration	2,637	2,670	–	5,307
Dry hole	7,778	39,824	–	47,602
Gain on sale of property, plant and equipment	(33)	–	–	(33)
Interest and financing charges	–	–	11,501	11,501
Foreign exchange gain	–	–	(2,963)	(2,963)
Debt extinguishment and other	690	–	–	690
	71,824	45,079	8,411	125,314
Income (loss) from equity investments and other income	–	16,205	(285)	15,920
Non-controlling interest	(15)	10,482	–	10,467
Segment loss	$ (7,634)	$ (18,392)	$ (8,696)	(34,722)
Income and other tax recovery				(18,667)
Net loss				$ (16,055)

	Capital Expenditures for the three months ended March 31		Total Assets as at March 31	
	2008	2007	**2008**	2007
Principal Properties	**62,605**	139,639	**827,079**	1,181,033
Strategic Investments	**–**	42,368	**332,138**	343,006
Corporate	**208**	210	**57,740**	16,732
	62,813	182,217	**1,216,957**	1,540,771

Capital expenditures for Principal Properties during the three months ended March 31, 2008 include $5.2 million (2007 – nil) of drilling costs for services provided by Paramount Drilling.

4. Long-Term Investments and Other Assets

	As at March 31, 2008		As at December 31, 2007	
	(Shares/Units) (000's)		(Shares/Units) (000's)	
Equity accounted investments:				
Trilogy Energy Trust ("Trilogy")	**20,189**	**$ 91,632**	17,763	$ 77,370
MGM Energy	**21,470**	**45,931**	21,470	58,182
Paxton Corporation ("Paxton")	**3,500**	**4,812**	–	–
Private oil and gas company ("Privateco")	**2,709**	**2,523**	2,709	2,523
		144,898		138,075
Cost accounted investments:				
MEG Energy Corp. ("MEG Energy")	**3,700**	**151,700**	3,700	151,700
NuLoch Resources Inc. ("NuLoch")	**6,141**	**6,007**	–	–
		$ 302,605		$ 289,775

During the three months ended March 31, 2008, Paramount made open market purchases of 1.9 million units of Trilogy and participated in Trilogy's distribution reinvestment plan ("DRIP"), acquiring an additional 0.5 million units, increasing its ownership from 18.8 percent at December 31, 2007 to 21.1 percent as of March 31, 2008. Purchases and DRIP acquisitions to date total 5.1 million units for consideration of $35.8 million. Paramount has allocated $19.0 million of the net purchase price differential of $24.1 million to property plant and equipment, and the remainder to goodwill. The purchase price differential applicable to property plant and equipment will be amortized into equity earnings over the life of Trilogy's proved reserves.

In February 2008, the Company purchased 3.5 million common shares of Paxton, a private company, for $4.8 million. As of March 31, 2008, Paramount owned approximately 17 percent of Paxton's outstanding common shares. Certain directors of Paramount are also directors and shareholders of Paxton.

In March 2008, the Company purchased 6.1 million Class A common shares of NuLoch for $6.0 million. As of March 31, 2008, Paramount owned approximately 20 percent of NuLoch's outstanding Class A common shares.

At March 31, 2008 Paramount held 2.9 percent of MEG Energy's common shares and 16.7 percent of MGM's common shares.

($ thousands, except as noted)

Income (loss) from equity investments is composed of the following:

Three months ended March 31	Equity Loss	Dilution Loss	Total 2008	Total 2007
Trilogy	(315)	–	**(315)**	2,280
MGM Energy	(7,896)	(4,493)	**(12,389)**	24,673
North American Oil Sands Corporation	–	–	**–**	(10,748)
	(8,211)	(4,493)	**(12,704)**	16,205

5. Long-Term Debt

As at	March 31 2008	December 31 2007
Canadian Dollar Denominated Debt		
Credit facilities	**$ –**	$ –
U.S. Dollar Denominated Debt		
8 1/2 percent US Senior Notes due 2013 (US$93.2 million), (2007 – US$138.2 million)	**95,791**	136,547
	95,791	136,547
Debt financing costs - unamortized	**(1,168)**	(1,941)
	$ 94,623	$ 134,606

Bank Credit Facility

Subsequent to March 31, 2008, Paramount renewed its credit agreement and extended the revolving term to April 29, 2009. Both the gross and net borrowing base were adjusted to $150 million. At Paramount's request, the banking syndicate's commitment to lend up to $125 million remains unchanged. As of March 31, 2008, no balances were drawn on the credit facility; however, Paramount had undrawn letters of credit outstanding totaling $15.5 million that reduce the amount available to the Company under the credit facility.

US Senior Notes

During the first quarter of 2008, Paramount made open market purchases of US$45.0 million principal amount of US Senior Notes, plus a premium of US$0.6 million and accrued interest, reducing the net principal outstanding to US$93.2 million. Paramount may re-market the purchased debt at its discretion.

6. Asset Retirement Obligations

	Three months ended March 31, 2008	Year ended December 31, 2007
Asset retirement obligations, beginning of period	**$ 97,359**	$ 83,815
Reduction on disposal of properties	**(955)**	(13,107)
Liabilities incurred	**473**	10,997
Revision in estimated costs of abandonment	**–**	17,961
Liabilities settled	**(2,558)**	(6,958)
Accretion expense	**2,151**	6,666
Change in basis of presentation - MGM Energy (Note 1)	**–**	(966)
Effects of foreign exchange	**237**	(1,049)
Asset retirement obligations, end of period	**$ 96,707**	$ 97,359

($ thousands, except as noted)

7. Stock-based Compensation

Paramount Options	Three months ended March 31, 2008		Three months ended March 31, 2007	
	Weighted Average Exercise Price	**# of Options**	Weighted Average Exercise Price	# of Options
	($ / share)		($ / share)	
Balance, beginning of period	**$ 19.49**	**6,430,000**	$ 19.41	4,468,925
Granted	**13.70**	**50,000**	20.20	1,396,500
Exercised	**7.78**	**(104,250)**	4.75	(609,200)
Cancelled	**21.26**	**(274,500)**	25.19	(36,000)
Balance, March 31	**$ 19.56**	**6,101,250**	$ 21.30	5,220,225
Options exercisable, March 31	**$ 18.88**	**848,350**	$ 16.40	364,250

Holdco Options	Three months ended March 31, 2008		Three months ended March 31, 2007	
	Weighted Average Exercise Price	**# of Options**	Weighted Average Exercise Price	# of Options
	($ / share)		($ / share)	
Balance, beginning of period	**$ 8.14**	**334,375**	$ 6.72	737,625
Exercised	**4.99**	**(47,750)**	4.72	(94,250)
Cancelled	**–**	**–**	15.43	(16,000)
Balance, March 31	**$ 8.66**	**286,625**	$ 6.44	627,375
Options exercisable, March 31	**$ 8.05**	**212,125**	$ 6.53	239,500

8. Net Loss Per Common Share

The net loss per common share is calculated by dividing earnings available to common shareholders by the weighted average number of Common Shares outstanding.

Three months ended March 31	2008	2007
Weighted average common shares outstanding – Basic	67,685	70,803
Dilutive effect of stock options	–	–
Weighted average common shares outstanding – Diluted	67,685	70,803

9. Risk Management and Financial Instruments

Financial instruments at March 31, 2008 consisted of cash and cash equivalents, short-term investments, accounts receivable, risk management assets and liabilities, the long-term investments in MEG Energy and Nuloch, accounts payable and accrued liabilities, and long-term debt.

($ thousands, except as noted)

Fair Values of Financial Assets and Liabilities

Risk management assets and liabilities are carried at fair value, which is based on forward market curves and is compared to quotes provided by financial institutions. The carrying value of Paramount's long-term debt is measured at amortized cost. The US Senior Notes had a market value of 100.5 percent at March 31, 2008.

Available for sale assets that are publicly traded are carried at market value, and the Company's investment in MEG Energy is carried at cost because MEG Energy is a private corporation and its common shares are not traded in an active market.

The carrying value of all other financial instruments approximates fair value due to their short-term maturities.

Risk management assets and liabilities outstanding at March 31, 2008 are as follows:

	Total Notional	Average Price	Fair Value	Remaining Term
Commodity				
Gas - NYMEX	40,000 MMbtu/d	Fixed - US$8.98/MMbtu	**$ (9,459)**	April 2008 - October 2008
Gas - NYMEX	20,000 MMbtu/d	Fixed - US$9.99/MMbtu	**(2,798)**	November 2008 - March 2009
Crude - WTI	1,000 Bbl/d	Fixed - US$73.48/Bbl	**(7,488)**	April 2008 - December 2008
			(19,745)	
Foreign Exchange				
Canadian/US Dollar Collar	US$90 million	CDN/US$ - Floor $1.0200 Ceiling $0.9821	**2,149**	July 2008 expiry
			$ (17,596)	

The foreign exchange loss for the period ended March 31, 2008 includes a net loss on the US Senior Notes of $3.9 million and a net gain of $1.9 million related to the foreign exchange contracts.

Paramount has an outstanding commitment to sell 3,400 GJ/d of natural gas at $2.52/GJ plus an escalation factor to 2011, which has a fair value loss of $22.0 million at March 31, 2008 (December 31, 2007 – loss of $17.2 million). The Company has designated this contract as normal usage, and as a result does not recognize the fair value of the contract in the Consolidated Financial Statements.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of underlying changes in market prices. The principal market risks impacting Paramount are commodity price risk, foreign currency risk, interest rate risk, and equity price risk.

($ thousands, except as noted)

Commodity Price Risk

The Company uses financial commodity contracts from time to time to manage its exposure to commodity price volatility. At March 31, 2008, assuming all other variables are held constant, a 10 percent increase or decrease in commodity prices would have had the following impact on Paramount's net earnings from changes in the fair value of financial commodity contracts:

Three months ended March 31, 2008	10% increase	10% decrease
Natural gas	$ (8,700)	$ 8,700
Crude oil	$ (2,000)	$ 2,000

Foreign Currency Risk

Paramount is exposed to foreign currency risk on financial instruments denominated in US dollars including cash balances, accounts receivable, risk management assets and liabilities, accounts payable, US Senior Notes and related interest. The Company uses foreign exchange contracts to manage foreign exchange risks related to its US Senior Notes. At March 31, 2008, a strengthening or weakening of the Canadian dollar relative to the US dollar would have had the following effect on net earnings:

Three months ended March 31, 2008	Strengthen 1%	Weaken 1%
US Senior Notes	$ 800	$ (800)
Foreign exchange collar	$ (600)	$ 600

The sales prices of crude oil and natural gas are determined with reference to US benchmark price, therefore an increase in the value of the Canadian dollar relative to the US dollar will decrease the revenue received for petroleum and natural gas products. Paramount's expenditures are primarily in Canadian dollars but include capital and operating expenditures in US dollars, largely related to the Company's US operations, and payments of interest on US Senior Notes and settlements of risk management liabilities.

Interest Rate Risk

Paramount is exposed to interest rate risk on floating rate credit facilities and on interest bearing balances of cash and cash equivalents. Paramount's US Senior Notes bear interest at a fixed rate and are subject to fair value changes as interest rates change.

Equity Price Risk

Paramount is exposed to equity price risk associated with its publicly traded investments and its MEG Energy investment. Paramount has no immediate plans to dispose of its MEG Energy investment.

($ thousands, except as noted)

Credit Risk

Paramount is exposed to credit risk on its financial instruments where a financial loss would be experienced if a counterparty to a financial asset failed to meet its obligations. The Company minimizes credit risk by entering into contracts with counterparties that possess high credit ratings, by employing net settlement agreements, and limiting available credit when necessary. The Company's accounts receivable include balances due from customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risk. At March 31, 2008 Paramount did not have any significant concentrations of credit risk with any individual sales customer or joint venture partner. The maximum credit risk exposure at March 31, 2008 is limited to the carrying values of cash and cash equivalents, accounts receivable and risk management assets.

Liquidity Risk

Liquidity risk is the risk that Paramount will be unable to meet its financial obligations. The Company manages liquidity risk by ensuring that it has sufficient cash, credit facilities and other financial resources available to meet its obligations.

The Company forecasts cash flows for a period of 12 months to identify financial requirements. These requirements are met through a combination of cash flows from operations, credit facilities, dispositions of assets, and accessing capital markets.

Contractual obligations related to financial liabilities, at March 31, 2008 are as follows:

	2008	2009-2010	2011-2013	Total
Accounts payable and accrued liabilities	$ 101,877	$ –	$ –	$ 101,877
Risk management liabilities	18,233	1,512	–	19,745
US Senior Notes, including interest	4,071	16,284	115,862	136,217
	$ 124,181	$ 17,796	$ 115,862	$ 257,839

10. Capital Structure

Paramount's primary objectives in managing its capital structure are:

(i) to maintain a flexible capital structure which optimizes the cost of capital at an acceptable level of risk;

(ii) to maintain sufficient liquidity to support ongoing operations, capital expenditure programs, strategic initiatives, and repayment of debt obligations when due; and

(iii) to maximize returns for the Company's shareholders.

($ thousands, except as noted)

Paramount manages its capital structure to support current and future business plans and periodically adjusts the structure in response to changes in economic conditions and the risk characteristics of the Company's underlying assets and operations. Paramount monitors metrics such as the Company's debt-to-equity and debt-to-cash flow ratios, among others, to measure the status of its capital structure. The Company has not established fixed quantitative thresholds for such metrics. Paramount may adjust its capital structure by issuing or repurchasing shares, issuing or repurchasing debt, refinancing existing debt, modifying capital spending programs, and acquiring or disposing of assets.

Paramount's capital structure consists of the following:

As at	**March 31, 2008**	December 31, 2007
Working capital deficit (surplus)	**$ 1,472**	$ (120,626)
Credit facility	**–**	–
US Senior Notes (excluding unamortized financing fees)	**95,791**	136,547
Stock-based compensation liability (long-term portion)	**883**	66
Net Debt	**98,146**	15,987
Share capital	**306,690**	313,828
Contributed surplus	**1,596**	1,375
Retained earnings	**555,358**	593,450
Accumulated other comprehensive income (loss)	**94**	(4)
Total Capital	**$ 961,884**	$ 924,636

Paramount is subject to financial covenants in its credit facility and US Senior Note agreements ("Debt Agreements"). The Company maintained compliance with all such financial covenants during the quarter. The Debt Agreements contain certain restrictions on Paramount's ability to issue or repurchase equity, issue or refinance debt, acquire or dispose of assets, or pay dividends.

11. Consolidated Statements of Cash Flows – Selected Information

Items not involving cash

Three months ended March 31	**2008**	2007
Unrealized loss on financial commodity contracts	**$ 12,804**	$ 24,529
Stock-based compensation – non-cash portion	**2,466**	(7,165)
Depletion, depreciation and accretion	**28,177**	33,540
Loss (gain) on sale of property, plant and equipment	**506**	(33)
Foreign exchange gain	**2,047**	(9,131)
Cash distributions in excess of equity earnings	**16,687**	–
Equity earnings in excess of cash distributions	**–**	(11,694)
Future income tax recovery	**(8,720)**	(18,913)
Non-controlling interest	**–**	(10,467)
Non-cash extinguishment of debt, interest and other	**1,085**	1,639
	$ 55,052	$ 2,305

($ thousands, except as noted)

Supplemental cash flow information

Three months ended March 31	2008	2007
Interest paid	**$ 6,327**	$ 17,099
Current and other tax paid	**$ 391**	$ 489

12. Subsequent Events

Paramount entered into the following commodity contracts subsequent to March 31, 2008:

Commodity	Notional/Quantity	Price	Term
Gas - AECO - Financial	20,000 GJ/d	Fixed - $9.50/GJ	November 2008 - March 2009
Gas - Physical	20,000 GJ/d	Fixed - $8.72/GJ	April 2008 - June 2008
Crude - WTI - Financial	1,000 Bbl/d	Fixed - US$107.31/Bbl	May 2008 - December 2008

CORPORATE INFORMATION

OFFICERS

C. H. Riddell
Chairman of the Board and
Chief Executive Officer

J. H.T. Riddell
President and Chief Operating
Officer

B. K. Lee
Chief Financial Officer

C. E. Morin
Corporate Secretary

L. M. Doyle
Corporate Operating Officer

G.W. P. McMillan
Corporate Operating Officer

D.S. Purdy
Corporate Operating Officer

J. Wittenberg
Corporate Operating Officer

L. A. Friesen
Assistant Corporate Secretary

DIRECTORS

C. H. Riddell [3]
Chairman of the Board and Chief Executive Officer
Paramount Resources Ltd.
Calgary, Alberta

J. H.T. Riddell
President and Chief Operating Officer
Paramount Resources Ltd.
Calgary, Alberta

J. C. Gorman [1][4]
Retired
Calgary, Alberta

D. Jungé C.F.A. [4]
Chairman, Chief Executive Officer and President,
Pitcairn Trust Company
Bryn Athyn, Pennsylvania

D. M. Knott
Managing General Partner
Knott Partners, L.P.
Syosset, New York

W. B. Macinnes, Q.C. [1] [2] [3] [4]
Retired
Calgary, Alberta

V. S. A. Riddell
Business Executive
Calgary, Alberta

S. L. Riddell Rose
President and Chief Executive Officer
Paramount Energy Operating Corp. [5]
Calgary, Alberta

J.B. Roy [1] [2] [3] [4]
Independent Businessman
Calgary, Alberta

A.S. Thomson [1] [4]
Retired
Sidney, British Columbia

B. M. Wylie [2]
Business Executive
Calgary, Alberta

[1] Member of Audit Committee
[2] Member of Environmental, Health and Safety Committee
[3] Member of Compensation Committee
[4] Member of Corporate Governance Committee
[5] Paramount Energy Operating Corp. is a wholly owned subsidiary of Paramount Energy Trust

HEAD OFFICE

4700 Bankers Hall West
888 Third Street S. W.
Calgary, Alberta
Canada T2P 5C5
Telephone: (403) 290-3600
Facsimile: (403) 262-7994
www.paramountres.com

CONSULTING ENGINEERS

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

AUDITORS

Ernst & Young LLP
Calgary, Alberta

BANKERS

Bank of Montreal
Calgary, Alberta

The Bank of Nova Scotia
Calgary, Alberta

Royal Bank of Canada
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services
Calgary, Alberta
Toronto, Ontario

STOCK EXCHANGE LISTING

The Toronto Stock Exchange ("POU")