

FIRST SUPPLEMENTAL TRUST INDENTURE

This First Supplemental Trust Indenture is entered into as of the 30th day of June, 2010 (the "**First Supplemental Indenture**").

BETWEEN:

PARAMOUNT ENERGY OPERATING CORP., a corporation incorporated under the laws of the Province of Alberta, with an office in Calgary, Alberta ("**PEOC**")

AND

PERPETUAL ENERGY INC., a corporation incorporated under the laws of the Province of Alberta, with an office in Calgary, Alberta ("**Perpetual**")

WITNESSETH THAT:

WHEREAS Paramount Operating Trust (the "**Trust**") was created pursuant to the Original Indenture which was amended and restated pursuant to a first amended and restated trust indenture made effective as of August 1, 2002 (the "**Trust Indenture**");

AND WHEREAS Paramount Energy Trust ("**PET**"), PEOC, Perpetual and the Trust, among others, are involved in the reorganization of PET through a plan of arrangement pursuant to the *Business Corporations Act* (Alberta);

AND WHEREAS at a meeting of unitholders of PET held on June 17, 2010, a special resolution approving the Plan of Arrangement was passed which included amendments to the Trust Indenture as necessary to facilitate the Plan of Arrangement;

AND WHEREAS PEOC and Perpetual wish to amend the Trust Indenture effective immediately following the step described in Section 3.1(e) of the Plan of Arrangement being completed to, *inter alia*, reflect the fact that PET no longer will be a Beneficiary;

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

ARTICLE 1 DEFINED TERMS AND AMENDMENTS TO TRUST INDENTURE

1.1 Defined Terms

All capitalized terms not defined herein shall have the meanings given to them in the Trust Indenture and, in addition, in this First Supplemental Indenture, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the following meanings, namely:

- (a) "**Arrangement Agreement**" means the agreement entered into among PET, PEOC and Perpetual dated May 10, 2010 to effect the Arrangement; and
- (b) "**Plan of Arrangement**" means the plan of arrangement as attached as Exhibit A to the Arrangement Agreement, to be carried out under section 193 of the *Business Corporations Act* (Alberta).

1.2 Amendments to Trust Indenture

- (a) This First Supplemental Indenture is supplemental to the Trust Indenture and this First Supplemental Indenture shall hereafter be read together and shall have effect, so far as practicable, as if all the provisions of the Trust Indenture and this First Supplemental Indenture were contained in one instrument. The Trust Indenture is and shall remain in full force and effect with regards to all matters governing the Trust, except as the terms of the Trust Indenture are amended, superseded, modified or supplemented by this First Supplemental Indenture until terminated in accordance with the terms hereof and the Plan of Arrangement. Any references in the text of this First Supplemental Indenture to section numbers, article numbers, "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions refer to the Trust Indenture unless otherwise qualified.
- (b) Immediately following the step described in Section 3.1(e) of the Plan of Arrangement, the Trust Indenture is hereby amended as follows:
- (i) by deleting all references to "Paramount Energy Trust" and replacing such references with "Perpetual Energy Inc.";
 - (ii) by deleting all references to "PET" and replacing such references with "Perpetual";
 - (iii) by deleting all references to "Paramount Operating Trust" and replacing such references with "Perpetual Operating Trust";
 - (iv) by deleting the definition of "Beneficiary" in section 1.1 and replacing it with the following definition:

"Beneficiary" means

 - (a) Perpetual, and
 - (b) any person acquiring an interest hereunder from any Beneficiary in accordance with provisions of Section 3.1;

provided that a Beneficiary which has transferred its entire interest hereunder shall thereupon cease to be a Beneficiary. "Beneficiaries" shall mean more than one Beneficiary;
 - (v) by deleting the definition of "PET" in section 1.1 and replacing it with the following definition:

"Perpetual" means Perpetual Energy Inc.;
 - (vi) by deleting the definition of "Trust" in section 1.1 and replacing it with the following definition:

"Trust" means "Perpetual Operating Trust";
 - (vii) by deleting the definition of "PET Indenture" in section 1.1 and all references to "PET Indenture";
 - (viii) by deleting the following words in section 5.9: "or acting as a manager or administrator of PET or";

- (ix) by changing the address for each of the Trustee and the Beneficiary in section 8.1 so that their respective addresses read as follows:

if to the Trustee:

Paramount Energy Operating Corp.
Suite 3200, 605 - 5th Avenue SW
Calgary AB T2P 3H5

Attention: President and Chief Executive Officer
Facsimile: (403) 269-6336

if to the Beneficiary:

Perpetual Energy Inc.
Suite 3200, 605 - 5th Avenue SW
Calgary AB T2P 3H5

Attention: President and Chief Executive Officer
Facsimile: (403) 269-6336

ARTICLE 2 ADDITIONAL MATTERS

2.1 Governing Law

This First 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.

2.2 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 First 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 First Supplemental Indenture and carry out its provisions. Computershare shall be authorized and directed to execute and deliver all manner of documents and instruments and do all things as are necessary or desirable in the opinion of PEOC or Perpetual to effect the Plan of Arrangement.

2.3 Counterparts


This First 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 OPERATING CORP.

By: 
Susan L. Riddell Rose
President & CEO

PERPETUAL ENERGY INC.

By: 
Susan L. Riddell Rose
President & CEO