

Paramount Resources Ltd.

Paramount Resources Ltd. Announces Results For The Second Quarter Ended June 30, 2003

FOR: PARAMOUNT RESOURCES LTD.

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Paramount Resources Ltd. Announces Results For The
Second Quarter Ended June 30, 2003

CALGARY, ALBERTA--

Paramount Resources Ltd. ("Paramount") is pleased to announce its
financial and operating results for the three months ended June
30, 2003.

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PARAMOUNT RESOURCES LTD.
FINANCIAL HIGHLIGHTS (unaudited)

FINANCIAL

(thousands of dollars except for per share amounts)

	Three Months Ended			Six Months Ended		
	June 30			June 30		
	%			%		
	2003	2002	Change	2003	2002	Change
Gross Revenue	\$ 84,822	\$ 126,725	-33%	\$ 206,546	\$ 219,138	-6%

Cash Flow (1)

From						
operations	36,559	80,956	-55%	95,048	139,153	-32%
Per share						
(basic &						
diluted)	0.61	1.36	-55%	1.58	2.34	-32%

Earnings (loss)

Net earnings						
(loss)	(1,436)	26,614	-105%	(812)	45,526	-102%
Per share -basic	(0.02)	0.45	-104%	(0.01)	0.77	-101%
-diluted	(0.02)	0.44	-105%	(0.01)	0.76	-101%

Net						
exploration &						
development						
expenditures	50,659	74,400	-32%	103,068	177,052	-42%

Total Assets		1,189,116	1,717,154	-31%
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Net Debt (2)		299,676	618,833	-52%
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Shareholders'				
Equity		503,222	581,324	-13%

Common shares
outstanding
(thousands)

-June 30		60,169	59,459	1%
-July 31		60,169	-	-

OPERATING

Production

Natural gas (MMcf/d)	142.0	231.4	-39%	167.4	221.5	-24%
Crude oil and liquids (Bbl/d)	7,465	2,639	183%	7,677	3,092	148%
Total Production (BOE/d)@6:1	31,129	41,205	-24%	35,584	40,009	-11%

Average Prices

Natural gas (pre-hedge) (\$/Mcf)	5.90	3.60	64%	6.45	3.00	115%
Natural gas (\$/Mcf)	4.72	4.36	8%	5.08	3.98	28%
Crude oil and liquids (\$/Bbl)	36.94	33.84	9%	37.97	31.09	22%

Drilling

Activity						
Gas	29	6	383%	96	102	-6%
Oil	5	-	-	10	3	233%
Other	-	-	-	-	2	-
D & A	3	1	200%	8	9	-11%
Total Wells	37	7	429%	114	116	-2%

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(1) Cash flow from operations is a non-GAAP term that represents net earnings adjusted for non-cash items, dry hole, geological and geophysical costs. The Company considers cash flow from operations a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future growth through capital investment and to repay debt.

(2) Net debt is equal to the sum of accounts payable and accrued liabilities, shareholder loan, bank loans, drilling rig indebtedness and mortgage, less current assets.

REVIEW OF OPERATIONS

Kaybob

Activity in the Kaybob area was limited in the second quarter due to an early spring break up, followed by a wet spring. Drilling and completion activity started in June and Paramount drilled 3 (2.5 net) wells resulting in one oil well, one gas well and one standing well by the end of the quarter. Construction has also started on the new Kaybob North Oil Battery adjacent to the Kaybob North gas plant. Second quarter capital expenditures totaled approximately \$3 million.

Production volumes were down by approximately 7 MMcf/d from the first quarter. Gas volumes averaged about 80 MMcf/d in the second quarter of 2003 versus 87 MMcf/d in the first quarter of 2003. The decrease in production volumes was caused by the scheduled plant turnaround at Kaybob North gas plant and the unscheduled maintenance at Paramount's Pine Creek property. The volumes lost

due to the shutdowns lowered the quarterly production by 5.1 MMcf/d. Oil and natural gas liquids volumes averaged 2,111 Bbl/d in the second quarter of 2003 versus 2,404 Bbl/d in the first quarter of 2003. Production declines were caused by restricted access and the shut-in of the associated natural gas liquids due to the plant maintenance at Pine Creek and Kaybob North.

Activity levels in the Kaybob area are expected to increase dramatically in the second half of 2003. Paramount anticipates three drilling rigs to be active in this area for the remainder of the year, drilling 30 to 35 wells prior to year end. Paramount has an extensive inventory of gas pools in its Kaybob core area where only one well per section had been drilled into these tight gas reservoirs. These single wells do not adequately drain the existing reserves in the full section, typically draining only a third to a half of the existing reserves in place. Paramount's strategy is to drill additional wells to drain these reserves that are not currently being accessed by downspacing the existing gas pools initially to two wells per section. Paramount plans to take full advantage of its production infrastructure and extensive land base in the Kaybob area with this low risk downspacing program to add significant new reserves and production. Production volumes in the Kaybob area are expected to rise to 100 MMcf/d and 2,500 Bbl/d of oil and natural gas liquids prior to the end of the year.

Sturgeon Lake / Mirage:

The Sturgeon Lake/Mirage core area increased production to 12 MMcf/d and 2,310 Bbl/d during the second quarter of 2003 and is poised to show continued growth in gas production throughout the rest of 2003.

At Mirage, Paramount has established a dominant position through its ownership of the infrastructure, a very strong developed and undeveloped land position, and a significant seismic database, all of which came with last year's acquisition of Summit Resources. Mirage is highly prospective because of its multi-zone potential in both shallow and conventional medium-depth reservoirs. Paramount drilled, completed and tested two successful exploratory shallow gas wells on 100 percent Paramount land, adding approximately 2 MMcf/d of new production and a probable 4 BCF of new gas reserves. Pipeline construction to existing facilities is currently in progress. Recompletions were successful in adding 1 to 2 MMcf/d of production. This exploratory program set up an additional 12 (9.5 net) wells as part of a second phase of drilling which has resulted in 11 gas wells, with one dry hole in the early third quarter. An additional 12 locations are proposed for the late third quarter and early in the fourth quarter of 2003. Upgrades to existing infrastructure currently in progress will enable Paramount to shorten tie-in times. An aggressive land acquisition program has been implemented to facilitate the continuing expansion of the shallow sweet-gas reserves and future, deep exploration in the area.

As with the Mirage area, Valhalla is characterized by having excellent multi-zone potential, in shallow, intermediate, and deep gas and oil reservoirs. Paramount has typically identified through drilling at least two producing zones per well. Two wells drilled in the first quarter at Valhalla were successfully completed during the second quarter. Existing infrastructure was insufficient to handle the additional 5 MMcf/d of sweet and sour gas, and the associated liquids and oil production. As a result,

a Paramount-operated pipeline and facility construction program was initiated. Production from the two wells is scheduled to commence at the end of August 2003. Two additional completions are in progress in the third quarter, with a total of 4 (2.8 net) wells being tied into the new infrastructure. Additional drilling is planned for late 2003 and early 2004 to take advantage of this new infrastructure. Paramount's ongoing, aggressive land acquisition program at Valhalla will facilitate future reserve and production growth in the area.

Paramount is currently executing a drilling program for several deep, prolific gas reservoirs in the Saddle Hills area. Paramount spud a 100 percent interest, 3,600-meter Wabamun test at 4-35, which is expected to reach total depth in late August 2003. Infrastructure planning for this area has already been initiated. The Company has an excellent undeveloped land position and seismic information on a variety of exploratory opportunities in the immediate area. Assuming success at 4-35, Paramount can very quickly capitalize on these other opportunities in the Saddle Hills area.

Activity in the Sturgeon Lake area focused on production and facilities optimization to maximize existing production from the deeper Devonian oil reservoirs. Late in the second quarter, Paramount drilled and cased the 03/10-5-69-21W5 well for Leduc oil production. Facility and completion operations are underway to bring this well on production in the third quarter.

Northwest Alberta

The Northwest Alberta area produced 29 MMcf/d and 200 Bbl/d in the second quarter of 2003 as compared to 20 MMcf/d in the first quarter. The increased production is the result of the tie-in of the first quarter drilling program at Bistcho Lake and Cameron Hills. As this is a remote, winter access only area, no further drilling has occurred since the first quarter of 2003.

Production from a new natural gas discovery drilled in the first quarter of 2003 at Haro commenced in the second quarter. Paramount has subsequently purchased additional land on this play and the next winter program should result in an increase in production from this area.

Oil production commenced at Cameron Hills on April 7, 2003. Operational challenges have hampered oil production from Cameron Hills resulting in an average oil of 200 Bbl/d for the quarter. A pipeline failure related to the initial construction of the Cameron Hills oil facility required the complete postponement of production until remedial work had been completed on the newly constructed facilities. Oil production has subsequently approached 1,000 Bbl/d with further potential increases in the third quarter of 2003, assuming access can be established.

Northeast British Columbia / Liard, Northwest Territories

Production in all Northeast British Columbia and Liard areas were affected by the turnaround of a third party facility at Fort Nelson from June 23 to July 16. Total production for the area averaged 12 MMcf/d for the second quarter of 2003.

At Paramount's non-operated Liard property, the 2K-29 (1-40) was brought onstream April 28 at 25 MMcf/d (2.76 percent working interest). The M-25 well (2.76 percent working interest) did not come back on production after the plant turnaround at Fort Nelson

and a workover is planned to reestablish production.

In the Clarke Lake area, Paramount has initiated a program to drill two to three development wells (36.3 percent interest) in early August.

Completion operations on the Anadarko operated Liard P-16 well resumed in the second quarter although conclusive results are not yet available.

Southern Alberta / Saskatchewan / Montana / North Dakota

Production through the second quarter of 2003 from the Southern Operating Unit averaged 9 MMcf/d and 2,845 Bbl/d (4,397 BOE/d), reflecting the results of the property disposition program started late last year. Operations during the second quarter were focused in the Chain/Craigmyle and Sylvan Lake areas of Alberta. In Chain/Craigmyle, three wells were drilled resulting in two producing wells, one each from the middle Belly River and Edmonton formations. Gas production additions were also made from a non-operated Banff recompletion and a Mannville tie-in. In Sylvan Lake several shut-in Viking oil wells were placed back on production and a successful recompletion for Edmonton gas was undertaken.

The Southern Operating Unit substantially concluded consolidation and focus process in the second quarter of 2003 through the divestiture of smaller working interest and non-operated/non-core properties in order to pursue the growth of fewer, higher working interest core properties. In the second quarter, 12 property dispositions were concluded in the Southern Operating Unit.

Exploration

The Colville Lake Area is situated at the Arctic Circle about 250 kilometers northeast of Norman Wells. The Colville area is recognized by Paramount as having significant potential for large-scale sweet gas and condensate reserves. The main target in the area is structurally and stratigraphically trapped gas within Cambrian aged Mt. Clarke sandstones. Paramount drilled two wells at 50 percent working interest on Paramount's Nogha prospect that covers approximately 39,488 acres (61.7 sections in Alberta). The Nogha prospect is the first of 11 concession parcels to be tested. The first well, Paramount Apache Nogha C-49, was spud January 25, 2003, and was drilled without any problems to its final total depth on February 25, 2003, at 1,408 meters. The C-49 well encountered multiple zones of gas bearing sandstone reservoir within the basal Cambrian section and was cased and completed as a successful Mt. Clarke gas well. The second well in the program, Nogha M-17, was drilled down structure from the C-49 well. The M-17 well was spud February 25, 2003 and was again drilled without any problems to its final total depth on March 23, 2003, at 1,510 meters. The M-17 well was cased and completed as a second successful Mt. Clarke gas well. Due to the encroachment of spring breakup the well was not stimulated but was perforated and flow tested. Pressure recorders were recovered in June 2003 and subsequent analysis of the petrophysics, seismic, and flow and build up data from the two Nogha wells is seen as extremely encouraging by the partners. Further specific information relating to deliverability, pressure and reserves will not be released at this time due to the competitive nature of exploration.

Paramount also holds two exploration licenses acquired by

competitive work commitment bid from the Federal government (EL399 and EL414). The partners evaluated EL399 last winter through the purchase and reprocessing of 2D trade seismic data and by carrying out a new 156-kilometer 2D seismic survey. This seismic has been evaluated and is being utilized to identify potential drilling locations on EL399. On EL414 trade seismic data was purchased and reprocessed. This data is currently being mapped to assist in the planning of a 2D heli portable seismic survey that will be carried out later this year. Plans by the partners for the next season include re-entering the recent Nogha wells to evaluate additional untested zones and the drilling of additional wells to test other prospects in the area and to further delineate the Nogha discovery.

FINANCIAL

Petroleum and natural gas sales before hedging totaled \$101.5 million for the three months ended June 30, 2003, as compared to \$89.2 million for the comparable period in 2002. The increase is due to significantly higher natural gas prices, offset somewhat by lower natural gas production volumes as a result of the disposition of substantially all of Paramount's Northeast Alberta properties to Paramount Energy Trust in the first quarter of 2003.

Cash flow from operations for the three months ended June 30, 2003 was \$36.6 million or \$0.61 per common share diluted and \$95.0 million or \$1.58 per common share diluted for the six months ended June 30, 2003. Net loss for the three months ended June 30, 2003 totaled \$1.4 million or \$0.02 per common share diluted, as compared to net earnings of \$26.6 million or \$0.45 per common share diluted for the comparable period in 2002. Current quarter results were impacted by a pre-tax commodity hedging loss of \$15.2 million, as well as a pre-tax loss of \$21.7 million on the disposition of a non-core natural gas property, offset by a future income tax recovery of \$33.4 million as a result of a reduction in corporate income tax rates. Earnings for the second quarter of 2002 were positively affected by a gain on sale of investments of \$24.5 million, as well as the \$38.0 million net Surmont compensation received during the quarter.

Debt levels at the end of the second quarter in 2003 reflected continued improvement in the financial position of the company. Net debt decreased by a further \$25.8 million from March 31, 2003 bringing the total debt reduction to date in 2003 to \$255.6 million. Net debt at June 30, 2003 was \$299.7 million.

Capital expenditures during the second quarter of 2003 were \$50.6 million, bringing the year to date total capital expenditures to \$103.1 million. Paramount continues to budget \$175 million of capital expenditures for 2003.

Management's Discussion and Analysis

Management's Discussion and Analysis ("MD&A") should be read in conjunction with the interim unaudited consolidated financial statements for the three and six months ended June 30, 2003 and the audited consolidated financial statements and MD&A for the year ended December 31, 2002.

DRILLING

Six Months Ended June 30

Wells Drilled	2003		2002	
	Gross (1)	Net (2)	Gross (1)	Net (2)
Natural gas	96	75	102	80
Oil	10	9	3	3
Other	-	-	2	1
Dry	8	6	9	7
Total	114	90	116	91

(1) "Gross" wells means the number of wells in which Paramount has a working interest.

(2) "Net" wells means the aggregate number of wells obtained by multiplying each gross well by Paramount's percentage working interest therein.

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During the six months ended June 30, 2003, Paramount participated in the drilling of 114 gross wells (90 net) including 37 wells (33 net) in the second quarter, compared to 116 gross wells (91 net) during the same period in 2002.

CAPITAL EXPENDITURES

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Six Months Ended June 30

(thousands of dollars)	2003	2002	2001
Land	\$ 7,441	\$ 3,531	\$ 18,861
Geological and geophysical	4,171	6,883	7,219
Drilling	55,435	106,196	94,090
Production equipment and facilities	36,021	60,442	76,423
Net exploration and development expenditures	103,068	177,052	196,593
Summit Resources Limited acquisition	(30,005)	437,933	-
Dry hole and seismic costs expensed	(23,620)	(10,053)	(11,802)
Petroleum and natural gas property impairment	(9,868)	(49,136)	-
Property acquisitions	-	28,400	6,962
Property dispositions	(324,845)	(1,344)	(7,068)
Other	490	505	633
Depletion and depreciation expense	(83,183)	(60,600)	(32,000)
Net change in capital assets	\$ (367,963)	\$ 522,757	\$ 153,318

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Capital additions for the quarter were concentrated in the Kaybob and Cameron Hills areas. For the six months ended June 30, 2003, net exploration and development expenditures totaled \$103.1

million.

During the second quarter 2003, Paramount closed a number of minor non-core property dispositions for net proceeds of approximately \$39 million. Total proceeds received to date for the minor property dispositions is approximately \$59 million. The proceeds received from the minor property dispositions have been applied against the Company's debt facilities.

STOCK OPTIONS

During the quarter 1,455,500 stock options were issued at an exercise price of \$9.00 per option. Also during the quarter, 941,500 stock options issued in 2001, the majority of which were at exercise prices of \$14.50 and \$13.35 per option, were re-priced to exercise prices of \$10.22 and \$9.07 per option, respectively. Total stock options issued and outstanding at June 30, 2003 were 2,977,000.

REVENUE

Natural gas revenue before hedging totaled \$195.6 million for the six months ended June 30, 2003, as compared to \$130.1 million during the same period in 2002. The increase in natural gas revenue results from higher commodity prices received during the period. Stronger natural gas demand resulted in an increase of 115 percent in Paramount's year-to-date average natural gas sales price to \$6.45/Mcf (pre-hedge) as compared to \$3.00/Mcf (pre-hedge) for the comparable period in 2002. Included in gross revenue are \$40.3 million of natural gas hedging losses. The 2003 year-to-date average natural gas price after hedging was \$5.08/Mcf.

For the three months ended June 30, 2003, natural gas revenue before hedging totaled \$76.3 million as compared to \$81.1 million for the same period in 2002. The 13 percent reduction in quarter-over-quarter sales was primarily due to the disposition of the Northeast Alberta assets to the Trust in March 2003.

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Revenue Analysis		Six Months Ended June 30		
(thousands of dollars)	2003	2002	2001	
Natural gas and other	\$ 195,596	\$ 130,138	\$ 349,552	
Crude oil and natural gas liquids	55,621	17,400	13,973	
Commodity hedging gain (loss)	(44,322)	31,495	(36,769)	
Gain (loss) on sale of short-term investments	(1,020)	40,105	2,982	
Other revenue	671	-	-	
Gross revenue	206,546	219,138	329,738	
Royalties	(50,912)	(25,600)	(69,059)	
Net revenue	\$ 155,634	\$ 193,538	\$ 260,679	

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Natural gas sales volumes averaged 167.4 MMcf/d to June 30, 2003, as compared to 221.5 MMcf/d reported for the same period in 2002.

Second quarter natural gas sales averaged 142.0 MMcf/d, a 39 percent decrease from 231.4 MMcf/d reported for the equivalent period in 2002. The decrease in natural gas sales is primarily the result of the disposition of the Northeast Alberta assets to the Trust.

Oil and natural gas liquids revenue before hedging for the six months ended June 30, 2003 increased 220% to \$55.6 million as compared to \$17.4 million for the comparable period in 2002. The increase in oil and natural gas liquids revenue results from higher commodity prices, the addition of Summit's oil and natural gas liquids production and new oil production from Cameron Hills. Stronger oil and natural gas liquids demand resulted in an increase of 29 percent in Paramount's year-to-date average oil and natural gas liquids sales price to \$40.03/Bbl (pre-hedge) as compared to \$31.09/Bbl (pre-hedge) in the comparable period in 2002. Included in gross revenue are \$4.0 million of oil and natural gas liquids hedging losses. The 2003 year-to-date crude oil price after hedging was \$37.97/Bbl.

For the three months ended June 30, 2003, oil and natural gas liquids revenue before hedging totaled \$25.2 million as compared to \$8.1 million for the same period in 2002.

Oil and natural gas liquids production volumes increased 148 percent to average 7,677 Bbl/d for the six months ended June 30, 2003 as compared to 3,092 Bbl/d for the comparable period in 2002. The increase is attributable to the acquisition of Summit, which at the time of acquisition produced approximately 5,000 Bbl/d of oil and natural gas liquids. Cameron Hills oil production contributed approximately 154 Bbl/d for the six months ended June 30, 2003. Once all five Cameron Hills oil wells are on line, gross production is estimated to be 1,500 Bbl/d of which 1,372 Bbl/d will be net to Paramount.

Oil and natural gas liquids production volumes totaled 7,465 Bbl/d in the second quarter of 2003, as compared to 2,639 Bbl/d for the comparable quarter of 2002. The 5% decrease from oil and natural gas liquids production of 7,892 Bbl/d in the first quarter of 2003 was due primarily to minor property dispositions closed during the quarter, offset somewhat by new oil production at Sturgeon Lake and Cameron Hills.

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Cash Netbacks Per Unit of Total Production			
	Six Months Ended June 30		
(\$/BOE@6:1)	2003	2002	2001
Sales price before hedging	\$ 39.00	\$ 20.37	\$ 50.65
Less:			
Royalties	(7.90)	(3.54)	(9.62)
Operating costs	(5.77)	(5.60)	(4.07)
Cash netback, before hedging	25.33	11.23	36.96
Commodity hedging gain (loss)	(6.88)	4.35	(5.12)
Cash netback, after hedging	\$ 18.45	\$ 15.58	\$ 31.84

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ROYALTIES

Alberta gas crown royalties are a cash royalty calculated on the Crown's share of production using the Alberta Reference Price. The Alberta Reference Price is the monthly weighted average well head price for gas consumed in Alberta and gas exported from Alberta reduced by allowances for transportation and marketing. A subsequent cost of service credit is applied to account for the Crown's share of allowable capital and processing fees to arrive at the net royalty. Generally the Crown's share of production will increase in a higher price environment.

Royalties for the six months ended June 30, 2003 averaged \$7.90/BOE or 20 percent of Paramount's average sales price of \$39.00/BOE. This compares to \$3.54/BOE or 17 percent of the average sales price reported for the same period in 2002. The increased rate results from the higher commodity prices received during the quarter, before hedging losses, as compared to prior year. Hedging losses do not reduce royalty expense due to the Crown's use of the Alberta Reference Price to calculate royalties, as opposed to the Company's realized price.

For the three months ended June 30, 2003, royalties totaled \$19.7 million as compared to \$16.5 during the same period a year earlier.

OPERATING COSTS

For the six months ended June 30, 2003, operating costs totaled \$37.2 million compared to \$40.5 million during the same period a year earlier.

On a unit-of-production basis, average operating costs increased 3 percent to \$5.77/BOE from \$5.60/BOE in 2002. This increase reflects seasonal maintenance associated with the Company's facilities as well as a general increase in the cost of field services and supplies, as compared to prior year. For the three months ended June 30, 2003, operating costs totaled \$18.3 million as compared to \$22.6 million for the same period in 2002, as a result of the disposition of the Northeast Alberta assets to the Trust and other property dispositions recorded in 2003.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses totaled \$9.4 million for the six months ended June 30, 2003, as compared to \$5.7 million recorded for the same period a year earlier. On a unit-of-production basis, general and administrative expenses increased to \$1.45/BOE as compared to \$0.79/BOE for the period ended June 30, 2003. The increase from 2002 is due primarily to lower overhead recoveries related to lower capital spending levels compared to prior year. Paramount does not capitalize any general and administrative expenses.

DRY HOLE COSTS

The Company follows the Successful Efforts Method of accounting for petroleum and natural gas operations. Under this method the Company capitalizes only those costs that result directly in the discovery of petroleum and natural gas reserves. The cost of unproductive wells, abandoned wells and surrendered leases are charged to earnings in the year of abandonment or surrender. For the six months ended June 30, 2003, \$19.4 million in dry hole costs were recorded, as compared to \$3.2 million in the same period of 2002. Of the dry hole expense recorded in 2003,

approximately \$11.5 million results from wells drilled in prior years, which were determined in the current year to be incapable of production in economic quantities.

WRITE-DOWN OF U.S. PETROLEUM AND NATURAL GAS PROPERTIES

During the three months ended June 30, 2003, the Company recorded a write-down of \$9.9 million, representing the remainder of its petroleum and natural gas assets in California.

INCOME TAXES

At December 31, 2002, the Company had accumulated tax pools of approximately \$796 million, which will be available for deduction in 2003 in accordance with Canadian income tax regulations at varying rates of amortization. Paramount does not expect to pay current income taxes in 2003.

In 2003, the Alberta provincial and Canadian federal governments introduced legislation to reduce corporate taxes. The changes are considered substantively enacted for the purposes of Canadian GAAP and, accordingly, the Company's future income tax liability has been reduced by \$33.4 million. The effect of this reduction has been recognized on the income statement as a future tax recovery for the three and six-month periods ended June 30, 2003.

CASH FLOW AND EARNINGS

Cash flow from operations totaled \$95.0 million or \$1.58 per basic and diluted common share, representing a 31 percent decrease from the \$139.2 million, or \$2.34 per basic and diluted common share reported for the corresponding period in 2002. The decrease is due to lower production levels, as well as commodity hedging losses, offset somewhat by higher natural gas and oil and natural gas liquids prices, as compared to prior year. Fully diluted weighted average shares outstanding totaled 60.2 million at June 30, 2003.

Cash flow will continue to be directed towards the Company's capital expenditure program and the reduction of bank indebtedness.

Net loss for the six months ended June 30, 2003 totaled \$0.8 million or \$0.01 per basic and fully diluted common share, compared to net income of \$45.5 million, or \$0.77 per basic common share (\$0.76 per fully diluted common share) reported for the same period a year earlier. The net loss for the six month period is the result of a commodity hedging loss of \$44.3 million, offset by a \$33.4 million future tax gain due to changes in federal and provincial tax rates. A one-time loss on sale of property and equipment of \$21.7 million was recorded as a result of the disposition of a non-core property in Alberta.

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PARAMOUNT RESOURCES LTD.
CONSOLIDATED STATEMENTS OF EARNINGS (LOSS) AND RETAINED EARNINGS
(unaudited)

Three Months Ended	Six Months Ended
June 30	June 30

(thousands of
dollars except for

per share amounts)	2003	2002	2003	2002
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Revenue

Petroleum and natural gas sales	\$ 101,512	\$ 89,246	\$ 251,217	\$ 147,538
Commodity hedging gain (loss) (note 6)	(15,218)	12,951	(44,322)	31,495
Royalties (net of ARTC)	(19,695)	(16,519)	(50,912)	(25,600)
Gain (loss) on sale of investments	(1,020)	24,528	(1,020)	40,105
Other revenue (expense)	(452)	-	671	-
	65,127	110,206	155,634	193,538

Expenses

Operating	18,302	22,550	37,168	40,542
Surmont compensation - net	-	(37,960)	-	(37,960)
Interest on bank loan	4,234	2,646	11,296	5,237
General and administrative (note 2)	4,589	2,458	9,357	5,752
Lease rentals	702	981	1,477	1,624
Geological and geophysical	3,423	6,325	4,171	6,883
Dry hole	13,628	1,448	19,449	3,170
Loss (gain) on sale of property and equipment	21,065	283	20,794	(130)
Provision for future site restoration and abandonment costs	933	600	2,195	1,200
Depletion and depreciation	37,041	29,922	83,183	60,600
Write-down of US petroleum and natural gas properties	9,868	40,000	9,868	40,000
	113,785	69,253	198,958	126,918

Earnings (loss)

before taxes	(48,658)	40,953	(43,324)	66,620
Income and other taxes				
Large corporations tax and other	741	615	1,288	1,230
Future income tax (recovery) (note 8)	(47,963)	13,724	(43,800)	19,864

Net earnings (loss)	(1,436)	26,614	(812)	45,526
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Retained earnings,

beginning of period	304,148	364,517	355,912	346,064
Adjustment on disposition of assets to a related party (note 4)	-	-	(1,388)	-
Dividends (note 4)	-	-	(51,000)	-
Adoption of new accounting policy (note 2)	-	-	(459)	

Retained earnings, end of period	\$ 302,712	\$ 391,131	\$ 302,712	\$ 391,131
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Net earnings (loss)

per common share				
-basic	\$ (0.02)	\$ 0.45	\$ (0.01)	\$ 0.77

-diluted \$ (0.02) \$ 0.44 \$ (0.01) \$ 0.76

Weighted average
number of common
shares outstanding
(thousands)

-basic	60,169	59,457	60,084	59,457
-diluted	60,244	59,524	60,343	59,524

See accompanying notes to consolidated financial statements

PARAMOUNT RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS

June 30 December 31

(thousands of dollars) 2003 2002

(unaudited)

ASSETS (note 5)

Current assets

Short-term investments (market value:

\$15,146; 2002 - \$14,168) \$ 15,146 \$ 14,168

Accounts receivable 83,507 91,042

Prepaid expenses 14,844 19,213

113,497 124,423

Property, plant and equipment, net 1,043,998 1,411,961

Goodwill (note 3) 31,621 -

\$ 1,189,116 \$ 1,536,384

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Accounts payable and accrued liabilities \$ 130,434 \$ 140,396

Shareholder loan - 33,000

Bank loans (note 5) 274,890 498,097

405,324 671,493

Drilling rig indebtedness 1,272 1,443

Mortgage 6,577 6,730

Provision for future site restoration
and abandonment costs 19,249 22,954

Deferred revenue 2,964 7,804

Future income taxes (note 8) 250,508 279,855

280,570 318,786

Commitments and contingencies (note 6)

Shareholders' equity

Share capital (notes 2 and 7)

Issued and outstanding

60,168,600 common shares (2002-

59,458,600 common shares) 200,510 190,193

Retained earnings 302,712 355,912

503,222 546,105

\$ 1,189,116 \$ 1,536,384

See accompanying notes to consolidated financial statements

PARAMOUNT RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
(thousands of dollars)	2003	2002	2003	2002
Operating activities				
Net earnings (loss)	\$ (1,436)	\$ 26,614	\$ (812)	\$ 45,526
Add (deduct) non-cash items				
Write-down of				
Surmont assets	-	9,136	-	9,136
Future income tax				
(recovery)	(47,963)	13,724	(43,800)	19,864
Depletion and				
depreciation	37,041	29,922	83,183	60,600
Write-down of US				
petroleum and				
natural gas				
properties	9,868	40,000	9,868	40,000
Provision for future				
site restoration and				
abandonment costs	933	600	2,195	1,200
Loss (gain) on sale				
of property and				
equipment	21,065	283	20,794	(130)
Add items not				
related to operating				
activities				
Surmont compensation	-	(47,096)	-	(47,096)
Dry hole	13,628	1,448	19,449	3,170
Geological and				
geophysical	3,423	6,325	4,171	6,883
Cash flow from				
operations	36,559	80,956	95,048	139,15
(Decrease) increase				
in deferred revenue	(2,380)	9,068	(4,840)	27,825
Change in non-cash				
operating working				
capital	19,577	100,030	(8,950)	122,721
	53,756	190,054	81,258	289,699
Financing activities				
Bank loans - draws	-	214,229	10,000	221,465
Bank loans -				
repayments	(21,404)	-	(233,207)	-
Shareholder loan	-	-	(33,000)	-
Share capital	-	113	10,317	873
Mortgage	(77)	-	(153)	-
Drilling rig				
indebtedness	(82)	2,144	(171)	2,144
	(21,563)	216,486	(246,214)	224,482
Cash flow provided				
by (used in)				
operating and				
financing activities	32,193	406,540	(164,956)	514,181
Investing activities				
Property, plant and				
equipment				
expenditures	47,511	67,126	99,447	169,310
Acquisition of				
Summit Resources				
Limited	-	338,581	-	338,581
Petroleum and				
natural gas property				
acquisitions	-	20,030	-	28,400

Geological and geophysical costs	3,423	6,325	4,171	6,883
Proceeds on sale of property and equipment	(38,649)	(762)	(261,481)	(3,333)
Surmont compensation	-	(47,096)	-	(47,096)
Change in non-cash investing working capital	19,908	3,542	(7,093)	3,211
Cash flow (provided by) used in investing activities	32,193	387,746	(164,956)	495,956
Increase in cash	-	18,794	-	18,225
Cash, beginning of period	-	171	-	740
Cash, end of period	\$ -	\$ 18,965	\$ -	\$ 18,965
Income taxes paid	\$ -	\$ -	\$ 5,466	\$ 25,000
Interest paid	\$ 3,572	\$ 2,322	\$ 10,987	\$ 4,998
See accompanying notes to consolidated financial statements				

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

(all tabular dollar amounts expressed in thousands of dollars)

Paramount Resources Ltd. ("Paramount" or the "Company") is involved in the exploration and development of petroleum and natural gas primarily in western Canada. The interim consolidated financial statements are stated in Canadian dollars and have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in notes to annual consolidated financial statements have been condensed or omitted. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in Paramount's Annual Report for the year ended December 31, 2002.

The preparation of interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements have been prepared in a manner consistent with accounting policies utilized in the consolidated financial statements for the year ended December 31, 2002, except as discussed in note 2 and as noted below:

Goodwill

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is assessed by the Company for

impairment at least annually. Impairment is assessed based on a comparison of the fair value of the net assets acquired to the carrying value of the net assets, including goodwill. Any excess of carrying value over and above fair value is the impairment amount, and is charged to earnings in the period identified.

2. CHANGE IN ACCOUNTING POLICY

Stock based compensation

Effective January 1, 2002, the Company adopted the new Canadian Institute of Chartered Accountants' standard on accounting for Stock-Based Compensation. Under this new standard, the Company's stock options and share appreciation rights, which can be settled in cash at the discretion of the employee, are accounted for at an amount equal to the difference between the exercise price and the fair value at the date of grant, resulting in a liability and corresponding compensation expense being recognized. The awards are remeasured at each reporting date. As permitted by the new standard, the Company applied the change retroactively for the share appreciation rights without restatement of individual prior periods. The impact of the adoption of the new standard on the financial statements as at January 1, 2002, was as follows:

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Increase in liability	\$ 459	
Decrease in retained earnings		\$ 459

/T/

The recognized expenses for the six and three-month periods ended June 30, 2003 were nil (June 30, 2002 - \$342,000 and \$113,000 respectively). As the remaining outstanding share appreciation rights were cancelled on February 6, 2003, no further expenses will be recorded in respect of the share appreciation rights plan.

This new standard requires the presentation of pro forma net earnings as if the Company had accounted for all of its employee stock options granted after December 31, 2001, under the fair value method. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant date of these awards, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

/T/

		Three months ended June 30		Six months ended June 30	
		2003	2002	2003	2002
Net earnings (loss) as reported		(1,436)	26,614	(812)	45,526
pro forma		(1,785)	26,598	(1,188)	45,507
Net earnings (loss)					
per common	as reported	(0.02)	0.45	(0.01)	0.77
share - basic	pro forma	(0.03)	0.45	(0.02)	0.77

Net earnings (loss)					
per common	as reported	(0.02)	0.44	(0.01)	0.76
share - diluted	pro forma	(0.03)	0.44	(0.02)	0.76

/T/

The fair value for these options was estimated at the date of granting using a Black-Scholes Option Pricing Model with the following assumptions: weighted-average risk-free interest rate of 5.8 percent; dividend yield of zero percent; weighted-average volatility factor of the expected market price of the Company's common shares of 39.5 percent; and a weighted-average expected life of the options of 4 years.

3. ACQUISITION OF SUMMIT RESOURCES LIMITED

On May 12, 2002, Paramount and Summit Resources Limited ("Summit") jointly announced that they had entered into an agreement pursuant to which Paramount will make an offer to purchase all of the issued and outstanding common shares of Summit for cash consideration of \$7.40 per share or approximately \$249.6 million, including acquisition costs. This transaction has been accounted for using the purchase method and is being accounted for as the effective date of the acquisition of July 1, 2002.

The Company has finalized the purchase price equation for this acquisition. The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition:

/T/

Assets	
Accounts receivable	\$ 13,997
Petroleum and natural gas properties	419,642
Goodwill	31,621
	465,260
Liabilities	
Accounts payable	21,946
Future income taxes	108,373
Debt	74,513
Other liabilities	10,866
	215,698
Net assets acquired	\$ 249,562

/T/

4. DISPOSITION OF ASSETS TO PARAMOUNT ENERGY TRUST

During the six months ended June 30, 2003, the Company completed the formation and structuring of Paramount Energy Trust (the "Trust") through the following transactions:

a) On February 3, 2003, Paramount transferred to the Trust

natural gas properties in the Legend area of Northeast Alberta for net proceeds of \$28 million and 9,907,767 units of the Trust.

b) On February 3, 2003, Paramount declared a dividend-in-kind of \$51 million, consisting of an aggregate of 9,907,767 units of the Trust. The dividend was paid to shareholders of Paramount common shares of record on the close of business on February 11, 2003. The dividend was declared after the Trust received all regulatory clearances with respect to its final prospectus and registration statement in the United States. The final prospectus and registration statement qualified and registered (i) the Dividend Trust Units, (ii) Rights to purchase further Trust Units, and (iii) the Trust Units issuable upon exercise of the Rights.

c) On March 11, 2003, in conjunction with the closing of a rights offering by the Trust, Paramount disposed of additional natural gas properties in Northeast Alberta to Paramount Operating Trust for net proceeds of \$175 million.

In addition to transferring the natural gas properties to the Trust, the Company transferred the related accumulated provision for site restoration and abandonment costs. At the time of the transaction, the Trust was a related party as a result of a significant number of common shareholders. As such, natural gas properties and related liabilities were transferred at net book value, with no gain or loss on disposition recorded. Details are as follows:

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Natural gas properties	\$ 240,326
Future income tax liability	11,039
Site restoration liability	(5,900)
Costs of disposition	9,516
Adjustment to retained earnings	(1,388)

Net proceeds on disposition	\$ 253,593

/T/

Associated with the creation and financing of the Trust and the transfer of natural gas properties to the Trust, the Company incurred costs of approximately \$9.5 million. These costs have been included as a cost of disposition.

5. BANK LOAN

In 2002, the Company negotiated a \$600 million credit facility with a syndicate of Canadian chartered banks for general corporate use and to fund the Summit acquisition. The credit facility consisted of a \$466 million production facility, a \$109 million bridge facility and a \$25 million working capital facility. The available borrowings were reduced to a total of \$304.2 million as at July 31, 2003, reflecting the dispositions of the Trust and other minor non-core properties and the credit facility has been amended to mature on September 2, 2003. The Company is currently in negotiation with the same syndicate of Canadian chartered banks for a committed term facility and expects an extension of the current credit facility to facilitate the closing of the new committed term facility by the end of September.

The Company has provided a first floating charge over all the assets and a limited recourse guarantee from Paramount Oil and Gas Ltd., a related entity with a significant ownership interest in the Company. The facility bears interest at prime rates, bankers acceptance rates or libor rates plus a margin ranging from 62.5 to 162.5 basis points.

6. FINANCIAL INSTRUMENTS

The Company's financial instruments included in the consolidated balance sheet are comprised of short-term investments, accounts receivable, accounts payable and accrued liabilities, shareholder loan, bank loans, mortgage and drilling rig indebtedness.

(a) Commodity price hedges

Financial forward sales arrangements entered into by the Company are unchanged from those outstanding at December 31, 2002. Had these financial contracts been settled on June 30, 2003, using prices in effect at that time, the mark-to-market before-tax loss would have totaled \$19.3 million.

(b) Foreign exchange hedges

Foreign currency index swap transactions entered into by the Company are unchanged from those outstanding at December 31, 2002. At June 30, 2003, the estimated fair value of these hedges based on the Company's assessment of available market information was a gain of \$2.8 million.

(c) Fair values of financial assets and liabilities

Borrowings under bank credit facilities are for short periods and are market rate based; thus, carrying values approximate fair values. Fair values for derivative instruments are determined based on the estimated cash repayment or receipt necessary to settle the contract at period-end. Cash payments or receipts are based on discounted cash flow analysis using current market rates and prices available to the Company.

The fair values of other financial instruments, including accounts receivable, accounts payable and accrued liabilities, approximate their carrying values due to the short-term maturity of those instruments.

The fair values of the mortgage and drilling rig indebtedness approximate their carrying values, as there have been no significant changes in long-term interest rates from the dates these liabilities were incurred to the balance sheet date.

(d) Credit risk

The Company is exposed to credit risk from financial instruments to the extent of non-performance by third parties, and non-performance by counterparties to swap agreements. The Company minimizes credit risk associated with possible non-performance by financial instrument counterparties by entering into contracts with only highly rated counterparties; and controls third-party credit risk with credit approvals, limits on exposures to any one counterparty, and monitoring procedures. The Company sells production to a variety of purchasers under normal industry sale and payment terms. The Company's accounts receivable are with customers and joint venture partners in the petroleum and natural

gas industry and are subject to normal credit risks.

7. SHARE CAPITAL

(a) Authorized capital

The authorized capital of the Company consists of an unlimited number of non-voting preferred shares without nominal or par value, issuable in series, and an unlimited number of common shares without nominal or par value.

/T/

(b) Issued Capital

Common share transactions for the respective periods are as follows:

	June 30, 2003		December 31, 2002	
	Common Shares	Amount	Common Shares	Amount
Balance, beginning of year	59,458,600	\$ 190,193	59,453,600	\$ 189,320
Stock options exercised for shares during the period	710,000	10,317	5,000	72
Expense recognized in respect of stock-based compensation during the year	-	-	-	801
Balance, end of period	60,168,600	\$ 200,510	59,458,600	\$ 190,193

/T/

(c) Stock option plan/share appreciation rights plan During 2001, the Company replaced the Share Appreciation Rights Plan ("SARP") with the Employee Incentive Stock Option plan (the "plan"). Under the plan, stock options are granted at the current market price on the date of issuance. Participants in the plan, upon exercising their stock options, have the option of receiving a cash payment equal to the difference between the exercise price and the market price of the Company's common shares, or receiving common shares issued from Treasury. Cash payments made in respect of the plan are charged to general and administrative expenses when incurred. Options granted vest over four years and have a four and a half year contractual life. The Company has reserved 5.9 million stock options for issuance pursuant to the plan. On February 6, 2003, all remaining outstanding share appreciation rights were cancelled.

During the three months ended June 30, 2003, the Company issued 1,455,500 stock options at an exercise price of \$9.00 per option. Also during the period, 941,500 stock options issued in 2001, the majority of which were at exercise prices of \$14.50 and \$13.35 per option, were re-priced to exercise prices of \$10.22 and \$9.07 per option, respectively. The following table summarizes information about stock options outstanding at June 30, 2003:

/T/

Exercise Price (\$/share)	Number outstanding at June 30, 2003	Weighted average remaining contractual life (years)	Number exercisable at June 30, 2003
---------------------------	-------------------------------------	---	-------------------------------------

\$ 9.00	1,455,500	4	-
\$ 9.07	275,500	3	-
\$ 10.22	666,000	2	-
\$ 12.02	580,000	2	580,000
\$ 9.87	2,977,000	3	580,000

/T/

8. INCOME TAXES

In May 2003, the Government of Alberta introduced legislation to reduce its corporate income tax rate by 0.5% effective April 1, 2003. In June 2003, the Canadian federal government introduced legislation to change the taxation of resource income. The legislation reduces the corporate income tax rate on resource income from 28% to 21% over five years beginning January 1, 2003. Over the same period, the deduction for resource allowance is phased out and a deduction of actual crown royalties paid is phased in. The changes are considered substantively enacted for the purposes of Canadian GAAP and, accordingly, the Company's future income tax liability has been reduced by \$33.4 million. The effect of this reduction has been recognized in the future income tax expense (recovery) for the three and six-month periods ended June 30, 2003.

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current financial statement presentation.

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