Base Shelf Prospectus

This short form prospectus has been filed under legislation in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of the securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. *The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws. Accordingly, the securities may not be offered or sold in the United States of America or to U.S. Persons (as such term is defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States of America. See "Plan of Distribution".*

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Paramount Resources Ltd. at 4700, 888 Third Street S.W., Calgary, Alberta, T2P 5C5, phone (403) 290-3600 and are also available electronically at www.sedar.com.

Short Form Prospectus

New Issue **October 29, 2010**

$400,000,000
Debt Securities
Class A Common Shares
Subscription Receipts
Warrants
Units

Paramount Resources Ltd. ("Paramount" or the "Company") may from time to time offer up to an aggregate of $400,000,000 of debentures, notes or other evidence of indebtedness of any kind, nature or description ("debt securities"), Class A Common Shares ("Common Shares"), subscription receipts, warrants and units of the Company (collectively, debt securities, Common Shares, subscription receipts, warrants and units are referred to herein as the "Securities") during the 25 month period that this short form base shelf prospectus remains valid. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in one or more prospectus supplements.

The outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange ("TSX") under the symbol "POU". **There is no market through which the debt securities, subscription receipts, warrants or units may be sold and purchasers may not be able to resell any debt securities, subscription receipts, warrants or units purchased under this prospectus. This may affect the pricing of these securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See the "Risk Factors" section of the applicable prospectus supplement.**

The Company may sell the Securities to or through underwriters purchasing as principals and may also sell the Securities to one or more purchasers directly or through agents. See "Plan of Distribution". The prospectus supplement relating to a particular offering of Securities will identify each underwriter or agent, as the case may be, engaged by the Company in connection with the offering and sale of the Securities, and will set forth the terms of the offering of such Securities, including the method of distribution of such Securities, the proceeds to the Company, any fees, discounts or other compensation payable to underwriters or agents and any other material terms of the plan of distribution.

For each of the year ended December 31, 2009 and the twelve month period ended June 30, 2010 the Company had an interest coverage ratio in respect of earnings of less than one to one and, since the Company had a loss for each such period, the coverage ratios are negative. See "Earnings Coverage Ratios".

Unless provided otherwise in a prospectus supplement relating to a particular offering of Securities, the underwriters may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of the Securities at a level above that which might otherwise prevail in the open market. Such transactions may be commenced, interrupted or discontinued at any time. See "Plan of Distribution".

Prospective investors should be aware that the purchase of the Securities may have tax consequences. This prospectus or any applicable prospectus supplement may not describe these tax consequences fully. You should read the tax discussion in any applicable prospectus supplement.

The principal and head office of the Company is located at 4700, 888 Third Street S.W., Calgary, Alberta, Canada T2P 5C5.

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

In this prospectus and in any prospectus supplement, the terms Paramount and Company include, where the context requires, the consolidated subsidiaries and partnerships of Paramount Resources Ltd. and references to "dollars" or "$" are to Canadian dollars.

This prospectus provides you with a general description of the Securities that the Company may offer. Each time the Company sells Securities under this prospectus, the Company will provide a prospectus supplement that will contain specific information about the terms of that offering of Securities. The prospectus supplement also may add, update or change information contained in this prospectus. Before investing, investors should read both this prospectus and any applicable prospectus supplement together with additional information described under the heading "Documents Incorporated by Reference".

You should rely only on the information contained in or incorporated by reference in this prospectus or any applicable prospectus supplement. The Company has not authorized anyone to provide you with different or additional information. The Company is not making an offer of these Securities in any jurisdiction where the offer is not permitted by law. You should not assume that the information contained in or incorporated by reference in this prospectus or any applicable prospectus supplement is accurate as of any date other than the date of the applicable document.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar regulatory authorities in certain of the provinces of Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Paramount Resources Ltd. at 4700, 888 Third Street S.W., Calgary, Alberta, T2P 5C5 (telephone (403) 290-3600). These documents are also available through the internet on the System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at www.sedar.com.

The following documents of the Company, filed with the securities commission or similar regulatory authority in certain of the provinces of Canada, are specifically incorporated by reference in, and form an integral part of, this prospectus:

(a) the Company's Annual Information Form dated March 10, 2010 for the year ended December 31, 2009;

(b) the Company's audited comparative consolidated financial statements, including the notes thereto, as at and for the year ended December 31, 2009, together with the auditors' report thereon;

(c) the Company's Management's Discussion and Analysis for the year ended December 31, 2009;

(d) the Company's Management Proxy Circular dated March 10, 2010 relating to the annual meeting of shareholders of the Company held on May 12, 2010;

(e) the press release of the Company dated May 26, 2010 in relation to the updated evaluation of its Hoole oil sands resources;

(f) the Company's unaudited comparative consolidated financial statements, including the notes thereto, as at June 30, 2010 and for the three and six months ended June 30, 2010; and

(g) the Company's Management's Discussion and Analysis for the three and six months ended June 30, 2010.

Any documents of the type referred to above, any interim unaudited consolidated financial statements, any material change reports (excluding confidential material change reports) and any business acquisition reports filed by the Company with a securities commission or similar regulatory authority in Canada after the date of this prospectus and prior to termination of any offering hereunder shall be deemed to be incorporated by reference into this prospectus.

Any statement contained in this prospectus or in a document incorporated or deemed to be incorporated by reference in this prospectus shall be deemed to be modified or superseded, for purposes of this prospectus, to the extent that a statement contained in this prospectus or in any other subsequently filed document that also is, or is deemed to be, incorporated by reference in this prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that was required to be stated or that was necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this prospectus.

Upon a new annual information form and the related annual audited consolidated financial statements and management's discussion and analysis being filed by the Company with and, where required, accepted by the applicable securities regulatory authorities during the term of this prospectus, the previous annual information form, the previous annual audited consolidated financial statements and all interim unaudited consolidated financial statements and accompanying management's discussion and analysis, material change reports and business acquisition reports filed by the Company prior to the commencement of the financial year of the Company in which the new annual information form is filed shall be deemed no longer to be incorporated by reference into this prospectus for purposes of future offers and sales of Securities hereunder. Upon interim unaudited consolidated financial statements and the accompanying management's discussion and analysis being filed by the Company with the applicable securities regulatory authorities during the term of this prospectus, all interim unaudited consolidated financial statements and the accompanying management's discussion and analysis filed prior to the new interim unaudited consolidated financial statements shall be deemed no longer to be incorporated into this prospectus for purposes of future offers and sales of Securities hereunder and upon a new management proxy circular relating to an annual meeting of shareholders of the Company being filed by the Company with the applicable securities regulatory authorities during the term of this prospectus, the management proxy circular for the preceding annual meeting of shareholders shall be deemed no longer to be incorporated by reference into this prospectus for purposes of future offers and sales of Securities hereunder.

A prospectus supplement containing the specific terms of an offering of Securities and any information omitted from this prospectus will be delivered to purchasers of such Securities together with this prospectus and will be incorporated by reference into this prospectus as of the date of such prospectus supplement solely for the purposes of the offering of Securities offered thereunder.

NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain information included in this short form prospectus and the documents incorporated by reference constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as “anticipate”, “believe”, “expect”, “plan”, “intend”, “estimate”, “propose”, or similar words suggesting future outcomes or an outlook. Forward-looking information in this prospectus and the documents incorporated by reference includes, but is not limited to: expected production volumes; planned exploration and development expenditures and the timing thereof; exploration and development plans and strategies; budget allocations and capital spending flexibility; the outcome of any audits, assessments or other regulatory matters or proceedings; adequacy of facilities to process natural gas production; estimated reserves and resources and the undiscounted and discounted present value of future net revenues from such reserves and resources (including the forecast prices and costs and the timing of expected production volumes and future development capital); ability to fulfill future pipeline transportation commitments; undeveloped land lease expiries; the timing and cost of future abandonment and reclamation; business strategies and objectives; financing plans; acquisition and disposition plans; and operating and other costs and royalty rates.

Such forward-looking information is 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 short form prospectus and the documents incorporated by reference:

- future oil and gas prices and general economic and business conditions;
- the ability of Paramount to obtain required capital to finance its exploration, development and operations;
- the ability of Paramount to obtain equipment, services, supplies and personnel 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 ability of Paramount to secure adequate product transportation and storage;
- the ability of Paramount and its industry partners to obtain drilling success consistent with expectations;
- the timely receipt of required regulatory approvals; and
- currency exchange and interest rates.

Although Paramount believes that the expectations reflected in such forward-looking information is reasonable, undue reliance should not be placed on such forward-looking information as Paramount can give no assurance that such expectations will prove to be correct. Forward-looking information is 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 information. These risks and uncertainties include, but are not limited to:

- fluctuations in oil and gas prices, foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future production, costs and expenses;
- the ability to secure adequate product processing, transportation and storage;
- the uncertainty of exploration, development and drilling;
- operational risks in exploring for, developing and producing crude oil and natural gas, and the timing thereof;
- the ability to obtain equipment, services, supplies and personnel in a timely manner;

- potential disruption or unexpected technical difficulties in designing, developing or operating new or existing facilities;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves and resource estimates;
- the ability to generate sufficient cash flow from operations and other sources of financing at an acceptable cost to meet current and future obligations;
- changes to the status or interpretation of laws, regulations or policies;
- the timing of governmental or regulatory approvals;
- changes in general business and economic conditions;
- uncertainty regarding aboriginal land claims and co-existing with local populations;
- the effects of weather;
- the ability to fund exploration, development and operational activities and meet current and future obligations;
- the timing and cost of future abandonment and reclamation activities;
- the ability to enter into or continue leases;
- existing and potential lawsuits and regulatory actions; and
- other risks and uncertainties described elsewhere in this short form prospectus and in the documents incorporated by reference or in Paramount's other filings with Canadian securities authorities.

The forward-looking information contained in this prospectus and the documents incorporated by reference is made as of the date hereof and, except as required by law, Paramount undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

THE COMPANY

Paramount is an independent Canadian energy company involved in the exploration, development, production, processing, transportation and marketing of natural gas, crude oil and natural gas liquids.

Paramount's principal properties are located primarily in Alberta, the Northwest Territories and British Columbia in Canada and in North Dakota and Montana in the United States, with production as at September 30, 2010 being approximately 75% natural gas. In addition, the Company has investments in a number of public and private companies, with such investments having a market value in excess of $425.0 million as at September 30, 2010, as well as significant oil sands resources and considerable acreage which has the potential for shale gas production.

Paramount was incorporated under the laws of the Province of Alberta on February 14, 1978. Paramount's head and registered office is located at 4700, 888 Third Street S.W., Calgary, Alberta T2P 5C5.

USE OF PROCEEDS

The use of proceeds from the sale of any Securities will be described in a prospectus supplement relating to the specific issuance of Securities. The Company may use proceeds from the sale of Securities hereunder for repayment of existing indebtedness, capital expenditures, corporate and asset acquisitions and investments and other general corporate purposes. The Company may invest funds that it does not immediately use in short-term marketable investment grade securities or bank deposits.

DESCRIPTION OF DEBT SECURITIES

The debt securities may be offered separately or in combination with one or more other Securities. The debt securities will be direct obligations of the Company which may be secured or unsecured. The debt securities may be senior or subordinated indebtedness of the Company as described in the relevant prospectus supplement. In the event of the insolvency or winding-up of the Company, the subordinated indebtedness of the Company, including any subordinated debt securities, will be subordinate in right of payment to the prior payment in full of all other liabilities of the Company (including senior indebtedness), except those which by their terms rank equally in right of payment with or are subordinate to such subordinated indebtedness.

The debt securities will be issued under one or more indentures (each, a "Debt Indenture"), in each case between the Company and a trust corporation registered under the *Loan and Trust Corporations Act* (Alberta). Each Debt Indenture may provide that debt securities may be issued thereunder up to the aggregate principal amount which may be authorized from time to time by the Company. The particular terms and provisions of any debt securities offered will be described in the prospectus supplement filed in respect of such debt securities. This description will include, where applicable: (i) the designation, aggregate principal amount and authorized denominations of such debt securities; (ii) the percentage of the principal amount at which such debt securities will be issued; (iii) the date or dates on which such debt securities will mature; (iv) the rate or rates per annum at which such debt securities will bear interest (if any), or the method of determination of such rates (if any); (v) the dates on which any such interest will be payable and the record dates for such payments; (vi) the name of the trustee under the Debt Indenture pursuant to which the debt securities are to be issued; (vii) any redemption terms under which such debt securities may be defeased prior to maturity; (viii) any sinking or purchase fund provisions; (ix) any exchange or conversion terms; (x) any security or guarantees given in respect of such debt securities and the ranking or subordination of such debt securities; (xi) the events of default and negative covenants in respect of such debt securities; (xii) whether such debt securities are to be issued in registered form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof; (xiii) the material income tax consequences of owning, holding and disposing of the debt securities; (xiv) other material terms and conditions of the debt securities including, without limitation, transferability and adjustment terms and whether the debt securities will be listed on any securities exchange; and (xv) any other specific terms. Debt securities of a single series may be issued at various times with different maturity dates, may bear interest at different rates and may otherwise vary.

DESCRIPTION OF COMMON SHARES

The holders of Common Shares are entitled to receive dividends if, as and when declared by the board of directors of the Company. The holders of Common Shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company. Holders of Common Shares are entitled to one vote in respect of each Common Share held at all meetings of the shareholders of the Company (except meetings at which only holders of another specified class or series of shares of the Company are entitled to vote separately as a class or series at such meeting) provided that if the Company fails to pay the full amount of any dividend declared by the board of directors of the Company on the Common Shares on the date specified for payment of such dividend, then, for so long as any dividends remain in arrears on the Common Shares, the holders of Common Shares shall be entitled to two votes in respect of each Common Share held at all meetings of the shareholders of the Company. In the event of the liquidation, dissolution or winding up of the Company or other distributions of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Common Shares will be entitled, subject to preferences accorded to holders of any class or series of preferred shares, to share equally, share for share, in any distribution of the assets of the Company.

Common Shares offered hereunder may be "flow-through shares" within the meaning of the *Income Tax Act* (Canada). The particular terms and provisions of any such offering of flow-through shares by any prospectus supplement will be described in such prospectus supplement. Common Shares may be offered separately or together with other Securities.

DESCRIPTION OF SUBSCRIPTION RECEIPTS

Subscription receipts may be offered separately or together with Common Shares and/or other Securities. The subscription receipts will be issued under a subscription receipt agreement that will be entered into by the Company and an escrow agent at the time of issuance of the subscription receipts. A subscription receipt will entitle the holder thereof to receive a Common Share and/or other securities of the Company, for no additional consideration, upon the completion of a particular transaction or event, typically an acquisition of the assets or securities of another entity by the Company. The subscription proceeds from an offering of subscription receipts will be held in escrow by an escrow agent pending the completion of the transaction or the termination time (the time at which the escrow terminates regardless of whether the transaction or event has occurred). Holders of subscription receipts will receive Common Shares and/or other securities of the Company upon the completion of the particular transaction or event or, if the transaction or event does not occur by the termination time, a return of the subscription funds for their subscription receipts together with any interest or other income earned thereon. Holders of subscription receipts are not shareholders of the Company.

The particular terms and provisions of subscription receipts offered by any prospectus supplement will be described in such prospectus supplement. This description will include, where applicable: (i) the number of subscription receipts offered; (ii) the price at which the subscription receipts will be offered; (iii) the terms, conditions and procedures pursuant to which the holders of subscription receipts will become entitled to receive Common Shares and/or other securities of the Company; (iv) the number of Common Shares and/or other securities of the Company that may be obtained upon exercise of each subscription receipt; (v) the designation and terms of any other securities with which the subscription receipts will be offered, if any, and the number of subscription receipts that will be offered with each such security; (vi) the terms relating to the holding and release of the gross proceeds from the sale of the subscription receipts plus any interest and income earned thereon; (vii) the material income tax consequences of owning, holding and disposing of the subscription receipts; and (viii) any other material terms and conditions of the subscription receipts including, without limitation, transferability and adjustment terms and whether the subscription receipts will be listed on a stock exchange.

Original purchasers of subscription receipts will have a contractual right of rescission against the Company, following the issuance of the underlying securities to such purchasers, to receive the amount paid for the subscription receipts in the event that the prospectus (including documents incorporated by reference) and any amendment thereto contains a misrepresentation or is not delivered to such purchasers, provided that such remedy for rescission is exercised within 180 days from the closing date of the offering of subscription receipts.

DESCRIPTION OF WARRANTS

Warrants will typically be offered with Common Shares, with such securities often referred to collectively as a "unit", but may be offered with subscription receipts or separately. The warrants either will be issued under a warrant indenture or agreement that will be entered into by the Company and a trustee at the time of issuance of the warrants or will be represented by warrant certificates issued by the Company.

A warrant will entitle the holder thereof to receive a Common Share and/or other securities of the Company upon the exercise thereof and payment of the applicable exercise price. A warrant will be exercisable for a specific period of time at the end of which time it will expire and cease to be exercisable. Holders of warrants are not shareholders of the Company.

The particular terms and provisions of warrants offered by any prospectus supplement will be described in such prospectus supplement. This description will include, where applicable: (i) the title or designation of the warrants; (ii) the number of warrants offered; (iii) the number of Common Shares and/or other securities of the Company purchasable upon exercise of the warrants and the procedures for exercise; (iv) the exercise price of the warrants; (v) the dates or periods during which the warrants are exercisable and when they expire; (vi) the designation and terms of any other securities with which the warrants will be offered, if any, and the number of warrants that will be offered with each such security; (vii) the material income tax consequences of owning, holding and disposing of the warrants; and (viii) any other material terms and conditions of the warrants including, without limitation, transferability and adjustment terms and whether the warrants will be listed on a stock exchange.

The Company has delivered an undertaking to the Ontario Securities Commission which provides that the Company will not offer warrants for sale separately to any member of the public in Canada unless the offering is in connection with and forms part of the consideration for an acquisition or merger transaction or unless the prospectus supplement containing the specific terms of the warrants to be offered separately is first approved for filing by the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada where the warrants will be offered for sale.

DESCRIPTION OF UNITS

Units are a security comprised of one or more of the other Securities described in this prospectus offered together as a "unit". A unit is typically issued so that the holder thereof is also the holder of each security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each security comprising the unit. The unit agreement under which a unit is issued may provide that the securities comprising the unit may not be held or transferred separately at any time or at any time before a specified date.

The particular terms and provisions of units offered by any prospectus supplement will be described in such prospectus. This description will include, where applicable: (i) the designation and terms of the units and of the securities comprising the units, including whether and under what circumstances those securities may be held or transferred separately; (ii) any provisions for the issuance, payment, settlement, transfer or exchange of the units or of the securities comprising the units; (iii) whether the units will be issued in fully registered or global form; and (iv) any other material terms and conditions of the units.

OTHER MATTERS RELATING TO THE SECURITIES

General

The Securities may be issued in certificated form or in book-entry only form.

Certificated Form

Securities issued in certificated form will be registered in the name of the purchaser or its nominee on the registers maintained by the Company's transfer agent and registrar or the applicable trustee.

Book-Entry Only Form

Securities issued in "book-entry only" form must be purchased, transferred or redeemed through participants in a depository service of a depository identified in the prospectus supplement for the particular offering of Securities. Each of the underwriters, dealers or agents, as the case may be, named in the prospectus supplement will be a participant of the depository. On the closing of a book-entry only offering, the Company will cause a global certificate or certificates representing the aggregate number of Securities subscribed for under such offering to be delivered to, and registered in the name of, the depository or its nominee. Except as described below, no purchaser of Securities will be entitled to a certificate or other instrument from the Company or the depository evidencing that purchaser's ownership thereof, and no purchaser will be shown on the records maintained by the depository except through a book-entry account of a participant acting on behalf of such purchaser. Each purchaser of Securities will receive a customer confirmation of purchase from the registered dealer from which the Securities are purchased in accordance with the practices and procedures of such registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. The depository will be responsible for establishing and maintaining book-entry accounts for its participants having interests in the Securities. Reference in this prospectus to a holder of Securities means, unless the context otherwise requires, the owner of the beneficial interest in the Securities.

If the Company determines, or the depository notifies the Company in writing, that the depository is no longer willing or able to discharge properly its responsibilities as depository with respect to the Securities and the Company is unable to locate a qualified successor, or if the Company at its option elects, or is required by law, to terminate the book-entry system, then the Securities will be issued in certificated form to holders or their nominees.

Transfer, Conversion or Redemption of Securities

Certificated Form

Transfer of ownership, conversion or redemptions of Securities held in certificated form will be effected by the registered holder of the Securities in accordance with the requirements of the Company's transfer agent and registrar and the terms of the indenture or certificates representing such Securities, as applicable.

Book-Entry Only Form

Transfer of ownership, conversion or redemptions of Securities held in book-entry only form will be effected through records maintained by the depository or its nominee for such Securities with respect to interests of participants, and on the records of participants with respect to interests of persons other than participants. Holders who desire to purchase, sell or otherwise transfer ownership of or other interests in the Securities may do so only through participants. The ability of a holder to pledge a Security or otherwise take action with respect to such holder’s interest in a Security (other than through a participant) may be limited due to the lack of a physical certificate.

Payments and Notices

Certificated Form

As applicable, any payment of principal, a redemption amount, a dividend and interest on a Security will be made by the Company, and any notices in respect of a Security will be given by the Company, directly to the registered holder of such Security, unless the applicable indenture in respect of such Security provides otherwise.

Book-Entry Only Form

As applicable, any payment of principal, a redemption amount, a dividend and interest on a Security will be made by the Company to the depository or its nominee, as the case may be, as the registered holder of the Security and the Company understands that such payments will be credited by the depository or its nominee in the appropriate amounts to the relevant participants. Payments to holders of Securities of amounts so credited will be the responsibility of the participants.

As long as the depository or its nominee is the registered holder of the Securities, the depository or its nominee, as the case may be, will be considered the sole owner of the Securities for the purposes of receiving notices or payments on the Securities. In such circumstances, the responsibility and liability of the Company in respect of notices or payments on the Securities is limited to giving or making payment of any principal, redemption, dividend and interest due on the Securities to the depository or its nominee.

Each holder must rely on the procedures of the depository and, if such holder is not a participant, on the procedures of the participant through which such holder owns its interest, to exercise any rights with respect to the Securities. The Company understands that under existing industry practices, if the Company requests any action of holders or if a holder desires to give any notice or take any action which a registered holder is entitled to give or take with respect to any Securities issued in book-entry only form, the depository would authorize the participant acting on behalf of the holder to give such notice or to take such action, in accordance with the procedures established by the depository or agreed to from time to time by the Company, any trustee and the depository. Accordingly, any holder that is not a participant must rely on the contractual arrangement it has directly, or indirectly through its financial intermediary, with its participant to give such notice or take such action.

The Company, the underwriters, dealers or agents and any trustee identified in a prospectus supplement relating to an offering of Securities in book-entry only form, as applicable, will not have any liability or responsibility for: (i) records maintained by the depository relating to beneficial ownership interest of the Securities held by the depository or the book-entry accounts maintained by the depository; (ii) maintaining, supervising or reviewing any records relating to any such beneficial ownership; or (iii) any advice or representation made by or with respect to the depository and contained in the prospectus supplement or in any indenture relating to the rules and regulations of the depository or any action to be taken by the depository or at the directions of the participants.

RISK FACTORS

Prospective purchasers of Securities should consider carefully the risk factors contained in and incorporated by reference into this prospectus including those described in the applicable prospectus supplement relating to a specific offering of Securities.

Discussions of certain risks affecting the Company in connection with its business are provided in the Company's annual information form and management's discussion and analysis which are incorporated by reference into this prospectus.

In addition, prospective purchasers of the debt securities should consider carefully the risk factors set forth below as well as the other information contained in and incorporated by reference in this prospectus and in the applicable prospectus supplement before purchasing the debt securities offered thereby. If any event arising from these risks occurs, the business, prospects, financial condition, results of operations or cash flows of the Company could be materially adversely affected.

Changes in interest rates may cause the value of the debt securities to decline.

Prevailing interest rates will affect the market price or value of the debt securities. The market price or value of the debt securities may decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

Credit ratings may not reflect all risks of an investment in the debt securities and may change.

Credit ratings may not reflect all risks associated with an investment in the debt securities. Any credit ratings applied to the debt securities are an assessment of the Company's ability to pay the Company's obligations. Consequently, real or anticipated changes in the credit ratings will generally affect the market value of the debt securities. The credit ratings, however, may not reflect the potential impact of risks related to structure, market or other factors discussed herein on the value of the debt securities. There is no assurance that any credit rating assigned to the debt securities will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency.

There can be no assurance as to the liquidity of the trading market for the debt securities or that a trading market for the debt securities will develop.

There is no public market for the debt securities and, unless otherwise specified in the applicable prospectus supplement, the Company does not intend to apply for listing of the debt securities on any securities exchanges. If the debt securities are traded after their initial issue, they may trade at a discount from their initial offering prices depending on prevailing interest rates, the market for similar securities and other factors, including general economic conditions and the Company's financial condition. There can be no assurance as to the liquidity of the trading market for the debt securities or that a trading market for the debt securities will develop.

CERTAIN INCOME TAX CONSEQUENCES

The applicable prospectus supplement will describe certain material Canadian federal income tax consequences to an investor who is a resident of Canada or who is a non-resident of Canada of acquiring, owning and disposing of any Securities offered thereunder.

PLAN OF DISTRIBUTION

The Company may sell the Securities (i) to underwriters purchasing as principal; (ii) directly to one or more purchasers pursuant to applicable statutory exemptions; or (iii) through agents. The Securities may be sold at fixed prices or non-fixed prices, such as prices determined by reference to the prevailing price of the Securities in a specified market, at market prices prevailing at the time of sale or at prices to be negotiated with purchasers, which prices may vary as between purchasers and during the period of distribution of the Securities.

The prospectus supplement relating to each offering of Securities will set forth the terms of the offering of those Securities, including the name or names of any underwriters or agents, the purchase price of the Securities, the proceeds to the Company, any underwriters' or agents' fees or other compensation, any public offering price, and any discounts or concessions allowed or re-allowed or paid. Only underwriters or agents named in the relevant prospectus supplement are deemed to be underwriters or agents in connection with the Securities offered by that prospectus supplement.

If underwriters purchase Securities as principal, the Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The obligations of the underwriters to purchase those Securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all the Securities offered by the prospectus supplement if any of such Securities are purchased. Any public offering price and any discounts or concessions allowed or re-allowed or paid may be changed from time to time.

The Securities may also be sold directly by Paramount at prices and upon terms agreed to by the purchaser and Paramount, or through agents designated by Paramount from time to time. Any agent involved in the offering and sale of the Securities pursuant to a particular prospectus supplement will be named, and any commissions payable by Paramount to that agent will be set forth, in such prospectus supplement. Unless otherwise indicated in the prospectus supplement, any agent would be acting on a best efforts basis for the period of its appointment.

The Company may agree to pay the underwriters a commission for various services relating to the issue and sale of any Securities offered by this prospectus. Underwriters and agents who participate in the distribution of the Securities may be entitled under agreements to be entered into with Paramount to indemnification by Paramount against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments that those underwriters or agents may be required to make in respect thereof.

Any offering of debt securities, subscription receipts, warrants or units will be a new issue of Securities with no established trading market. Unless otherwise specified in the applicable prospectus supplement, the debt securities, subscription receipts, warrants or units will not be listed on any stock exchange. Certain underwriters, agents or dealers may make a market in such Securities, but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that any underwriter, agent or dealer will make a market in such Securities or as to the liquidity of the trading market, if any, for such Securities.

The prospectus supplement will set forth the intention of any underwriters, agents or dealers who participate in the distribution of the Securities to over-allot or effect transactions which stabilize, maintain or otherwise affect the Security's price at a higher level than that which might exist in the open market. Such transactions may be commenced, interrupted or discontinued at any time.

The Securities have not been and will not be registered under the U.S. Securities Act or any state securities laws, and accordingly may not be offered or sold within the United States of America or to U.S. Persons (as such term is defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

EARNINGS COVERAGE RATIOS

The following earnings coverage ratios have been calculated on a consolidated basis and are derived from audited financial information in the case of the year ended December 31, 2009 and unaudited financial information in the case of the twelve month period ended June 30, 2010. Interest on the Company's long-term debt and total debt for the year ended December 31, 2009 was $10.3 million and $11.2 million, respectively. Interest on the Company's long-term debt and total debt for the twelve month period ended June 30, 2010 was $9.7 million and $10.9 million, respectively. The Company's earnings (loss), before deduction of interest and income tax, for the year ended December 31, 2009 was $(141.3) million and for the twelve month period ended June 30, 2010 was $(140.0) million. The Company's earnings (loss) would not have been sufficient to cover interest charges on the Company's long-term debt for the year ended December 31, 2009 by $151.6 million and for the twelve month period ended June 30, 2010 by $149.6 million. The Company's earnings (loss) would not have been sufficient to cover interest charges on the Company's total debt for the year ended December 31, 2009 by $152.5 million and for the twelve month period ended June 30, 2010 by $150.8 million. Since the Company had a loss for each of the year ended December 31, 2009 and the twelve month period ended June 30, 2010, the earnings coverage ratios would be negative and therefore are not provided. The foregoing does not give effect to debt securities which may be offered hereunder since the aggregate principal amount of debt securities that may be issued hereunder and the terms of issue are not presently known. The earnings coverage for a particular year or period may not be indicative of earnings coverage for any future years or periods.

PRICE RANGE AND TRADING VOLUME

The Common Shares are listed on the TSX under the symbol "POU". The following table sets forth the price range and trading volume of the Common Shares as reported by the TSX for the periods indicated:

	High ($)	Low ($)	Volume
2009			
October	16.09	12.50	2,102,620
November	13.54	11.38	2,804,515
December	14.85	12.53	2,905,438
2010			
January	17.48	14.67	3,551,490
February	18.73	14.31	2,823,969
March	18.75	15.45	1,790,876
April	18.45	15.83	1,295,325
May	19.72	15.06	1,510,615
June	20.59	17.65	1,506,748
July	21.72	17.67	1,331,317
August	21.99	17.79	1,112,679
September	20.79	18.66	1,466,451
October 1 - 28	20.89	19.62	881,514

PRIOR SALES

During the past twelve month period, the only Common Shares or securities convertible or exchangeable into Common Shares issued by the Company were: (i) 4,500,000 Common Shares issued on November 4, 2009 pursuant to a short form prospectus at a price of $15.00 per share; (ii) 500,000 Common Shares issued on November 4, 2009 on a "flow-through" basis in respect of Canadian Exploration Expenses pursuant to a private placement at a price of $18.75 per share; (iii) 1,000,000 Common Shares issued on October 27, 2009 on a "flow-through" basis in respect of Canadian Development Expenses pursuant to a private placement at a price of $16.87 per share; (iv) 446,750 Common Shares issued upon exercise of options to acquire Common Shares at exercise prices ranging from $7.19 to $13.54 and having a weighted average exercise price of $7.84 per share; and (v) the issuance of options to acquire an aggregate of 1,021,000 Common Shares at exercise prices ranging from $12.97 to $21.55 and having a weighted average exercise price of $13.61 per share.

LEGAL MATTERS

Unless otherwise specified in the prospectus supplement relating to a particular offering of Securities, certain legal matters will be passed upon on behalf of the Company by Macleod Dixon LLP, Calgary, Alberta.

INTERESTS OF EXPERTS

Ernst & Young LLP, Chartered Accountants, are the Company's auditors and such firm has prepared an audit opinion with respect to the Company's comparative consolidated financial statements as at and for the fiscal year ended December 31, 2009. Ernst & Young LLP has confirmed it is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Evaluations of Paramount's reserves and resources in the documents incorporated by reference herein were prepared by McDaniel & Associates Consultants Ltd. as an independent qualified reserves and resources evaluator.

The principals of McDaniel & Associates Consultants Ltd. own beneficially, directly or indirectly, less than one percent of any class of Paramount's securities.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may only be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus, the accompanying prospectus supplement relating to securities purchased by a purchaser and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, or revision of the price or damages are exercised by the purchaser within the time limit prescribed by the applicable provisions of the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CONSENT OF ERNST & YOUNG LLP

We have read the short form base shelf prospectus of Paramount Resources Ltd. (the "Company") dated October 29, 2010 with respect to the sale and issue of up to an aggregate of $400,000,000 of debt securities, Class A Common Shares, subscription receipts, warrants and/or units of the Company (the "Prospectus"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the Prospectus of our report to the shareholders of the Company on the consolidated balance sheets of the Company as at December 31, 2009 and 2008, and the consolidated statements of loss, comprehensive loss, shareholders' equity and cash flows for each of the years in the two-year period ended December 31, 2009. Our report is dated March 3, 2010.

Calgary, Canada	(signed) Ernst & Young LLP
October 29, 2010	Chartered Accountants

CERTIFICATE OF THE COMPANY

Dated: October 29, 2010

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia.

(signed) Clayton H. Riddell Chief Executive Officer	(signed) Bernard K. Lee Chief Financial Officer

On behalf of the Board of Directors

(signed) James H. T. Riddell Director	(signed) John C. Gorman Director