

Attention Business/Financial Editors:

Progress second quarter - financial and operating results on track

Progress is listed on the Toronto Stock Exchange, symbol PGX

CALGARY, July 29 /CNW/ - Progress Energy Ltd. ("Progress" or the "Company") announces its financial and operating results for the second quarter of 2004, its final quarter prior to the Plan of Arrangement and the creation of Progress Energy Trust. These results represent only the operations of Progress and do not reflect the amalgamated operations of Progress and Cequel Energy Inc. ("Cequel").

PLAN OF ARRANGEMENT BETWEEN PROGRESS AND CEQUEL COMPLETED

On June 28, 2004, shareholders of Progress and Cequel overwhelmingly approved the Plan of Arrangement that resulted in the amalgamation of the two companies to create Progress Energy Trust ("Trust"), ProEx Energy Ltd. ("ProEx"), and Cyries Energy Inc. ("Cyries"). The Plan of Arrangement was completed on July 2, 2004. The Trust comprises approximately 90 percent of the assets of the two companies with the balance split between ProEx and Cyries. The Trust has 65.4 million units outstanding and trades on the Toronto Stock Exchange under the symbol PGX.UN. The Trust also has 16.0 million exchangeable shares outstanding which are expected to commence trading on the Toronto Stock Exchange shortly. The first monthly Trust distribution of \$0.14 per trust unit was announced in mid-July and is payable on August 16, 2004 to unitholders of record as of July 31, 2004.

"We begin the third quarter of 2004 as an energy trust but our focus remains unchanged - create value for unitholders at all points in the cycle," said David Johnson, Executive Chairman of Progress Energy Ltd. "One of the benefits afforded by the amalgamation of Progress and Cequel is a deep inventory of internal opportunities. The Trust is in the enviable position of being able to maintain or modestly grow production from the existing asset base without reliance on acquisitions."

"Our formula for sustainability combines the technical strengths of our engineering, geological and geophysical staff with a deep internal inventory of opportunities," Johnson added. "We expect to capture further upside through joint venture and farm-in/out opportunities with ProEx in the shallow foothills and plains regions of northeast British Columbia and Cyries in the Deep Basin in northwest Alberta. The employees and management of Progress have a strong track record of value creation and are joined by an equally successful team from Cequel. Together we will work towards our goal of building a premier, sustainable energy Trust."

OPERATIONS UPDATE (PROGRESS ENERGY LTD. PRIOR TO THE PLAN OF ARRANGEMENT)

Production Increases 42%

Second quarter daily natural gas, NGLs and oil production averaged 9,953 barrels of oil equivalent ("boe"), up 42 percent compared to the second quarter of 2003. Daily natural gas production increased 67 percent to 44.8 million cubic feet compared to 26.9 million cubic feet during the same period in 2003. Daily oil and NGL production averaged 2,485 barrels compared to 2,544 barrels for the same period in 2003. Operating expenses averaged \$6.15 per boe during the quarter.

Successful Quarter for Exploration Program, New Lands Acquired

A total of 5 wells were drilled in the second quarter translating into three new gas discoveries and two new oil wells. The most noteworthy of these was Progress Gilby 14-13 where the 100 percent working interest well is currently producing over 200 boe per day. Typically, activity levels in the field are reduced during the second quarter as a result of spring breakup reducing the amount of drilling and facilities work that can be conducted by oil and gas companies.

In the quarter, the northeast British Columbia Gundy Creek 3-D seismic program that was shot during the winter season was interpreted resulting in a more accurate sub-surface picture of the productive Halfway anticline as it heads to the south from Town. With this proprietary data, Progress purchased over 20,000 acres of highly prospective land located along the north-south trending apex of the anticline and another unexploited anticline to the west. This land inventory will enable Progress to continue its drilling and production efforts for several years primarily focusing on long life natural gas in the shallow foothills of northeast British Columbia.

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FINANCIAL AND OPERATING RESULTS (PROGRESS ENERGY LTD. PRIOR TO THE PLAN OF ARRANGEMENT)

HIGHLIGHTS	Three Months Ended		Six Months Ended	
	2004	2003	2004	2003

Financial	(\$ thousands, except per share amounts)			
Petroleum and natural gas revenue	38,811	24,784	69,623	54,230
Cash flow from operations	17,833	12,502	32,761	28,548
Basic per share	0.52	0.40	0.96	0.92
Diluted per share	0.49	0.37	0.90	0.86
Net earnings	4,464	6,835	10,711	13,305
Basic per share	0.13	0.22	0.32	0.43
Diluted per share	0.12	0.20	0.30	0.40
Capital expenditures	16,615	15,192	60,317	40,669
Operations	Production			
Natural gas (mcf/d)	44,809	26,873	39,807	26,851
Crude oil (bbls/d)	2,160	2,260	2,193	2,178
Natural gas liquids (bbls/d)	325	284	327	297

Total production (boe/d at 6:1)	9,953	7,022	9,155	6,950

Average sales price				
Natural gas (\$/mcf)	7.16	6.80	6.93	7.55
Crude oil (\$/bbl)	42.47	36.18	42.78	40.00
Natural gas liquids (\$/bbl)	43.40	27.85	39.84	33.66
Netback per boe (6:1) (\$)				
Petroleum and natural gas revenue	42.85	38.79	41.79	43.11

Royalties	10.99	8.15	10.26	9.23
Operating expenses	6.15	5.46	6.25	5.44
Transportation expenses	2.98	3.08	2.98	2.78

Operating netback	22.73	22.10	22.30	25.66

2004 Year to Date Drilling Results

	Gross Wells				Net Wells			
	Gas	Oil	Dry	Total	Gas	Oil	Dry	Total

British Columbia - Foothills	7	-	-	7	6.2	-	-	6.2
British Columbia - FSJ(1) Plains	11	4	3	18	8.2	2.4	2.0	12.6
Alberta	-	1	1	2	-	1.0	0.5	1.5
Saskatchewan	3	1	2	6	3.0	1.0	2.0	6.0

Total	21	6	6	33	17.4	4.4	4.5	26.3

(1) Fort St. John ("FSJ")

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis as provided by the management of Progress Energy Ltd. (the "Company") as of July 29, 2004, should be read in conjunction with the unaudited consolidated interim financial statements for the three and six months ended June 30, 2004 and 2003 and the audited consolidated financial statements for the year ended December 31, 2003.

The financial data presented has been prepared in accordance with Canadian generally accepted accounting principles. The reporting and the measurement currency is the Canadian dollar.

Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Management's Discussion and Analysis contains the term cash flow from operations before changes in non-cash working capital, which should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined in accordance with Canadian generally accepted accounting principles ("GAAP") as an indicator of the Company's performance. Progress' determination of cash flow from operations may not be comparable to that reported by other companies. The reconciliation between net earnings and cash flow from operations can be found in the consolidated statements of cash flows in the unaudited interim financial statements. The Company also presents cash flow from operations per share whereby per share amounts are calculated using the weighted average shares outstanding consistent with the calculation of earnings per share.

PLAN OF ARRANGEMENT

On July 2, 2004 the Company and Cequel Energy Inc. ("Cequel") amalgamated to create Progress Energy Trust (the "Trust") and two publicly listed, exploration-focused companies, ProEx Energy Ltd. ("ProEx") and Cyries Energy Inc. ("Cyries"), pursuant to the Plan of Arrangement. The Plan of Arrangement resulted in Progress shareholders receiving one trust unit or exchangeable share of the Trust and 0.2 of a share in each of ProEx and Cyries. Cequel shareholders received 0.695 trust units or exchangeable shares of the Trust and 0.139 of a share in each of ProEx and Cyries.

The Trust owns approximately 90 percent of the producing assets of the Company and Cequel. The remainder of the properties of the Company and Cequel were transferred to ProEx and Cyries, respectively, consisting of certain prospective natural gas weighted assets and undeveloped land.

The Plan of Arrangement involving the creation of the Trust will be accounted for as a continuity of interests. Accordingly, starting in the third quarter of 2004, the consolidated financial statements of the Trust will reflect the financial position, results of operations and cash flows as if the Trust had always carried on the business formerly carried on by old Progress Energy Ltd. These consolidated financial statements for the second quarter ended June 30, 2004 reflect only the financial position, results of operations and cash flows of Progress Energy Ltd.

In accordance with the Plan of Arrangement, all outstanding stock options of the Company vested and the Company accepted the holders' put right thereby settling the options for cash in the amount of \$21.9 million. The after tax value, net of \$3.0 million of contributed surplus relating to the options, resulted in a charge of \$12.8 million to retained earnings. As a result of the settlement of all outstanding options, the remaining unamortized stock based compensation cost relating to options granted after 2002 of \$2.5 million was charged to earnings with an offsetting increase to contributed surplus. The Company also incurred \$0.8 million of severance costs, which together with the stock based compensation expense, have been included in plan of arrangement expense on the statement of earnings for the three and six months ended June 30, 2004.

As at June 30, 2004 the Company has incurred \$6.7 million in costs relating to the acquisition of Cequel and the creation of Progress Energy Trust. These costs have been deferred on the Company's balance sheet and will be charged to Cequel acquisition costs and Unitholders' capital on the closing of the transaction in July 2004.

In conjunction with the amalgamation with Cequel Energy Inc., the Company has entered into a new credit facility with a syndicate of banks and currently has a \$200 million extendible revolving term credit facility and a \$15 million working capital credit facility. The facilities are available on a revolving basis for a period of at least 364 days until May 31, 2005, and such initial term out date may be extended for further 364 day periods at the request of the Company, subject to approval by the banks. Following the term out date, the facilities will be available on a non-revolving basis for a one year term, at which time the facilities would be due and payable. The credit facilities are secured by a \$500 million fixed and floating charge debenture on the assets of the Company and by a guarantee and subordination provided by Progress Energy Trust in respect of the Company's obligations. The \$215 million borrowing base is subject to semi-annual review by the banks.

As a result of the completion of the Plan of Arrangement, on July 28, 2004 the issued and outstanding trust units of Progress Energy Trust were 65,399,414 and the exchangeable shares outstanding were 15,999,994.

PRODUCTION

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2004	2003	2004	2003

Daily Production				
Natural gas (mcf/d)	44,809	26,873	39,807	26,851
Crude oil (bbls/d)	2,160	2,260	2,193	2,178
Natural gas liquids (bbls/d)	325	284	327	297
Total (boe/d)	9,953	7,022	9,155	6,950

For the three months ended June 30, 2004, Progress increased production 42 percent to 9,953 boe per day compared to 7,022 boe per day for the same period in 2003. This increase is a result of successful drilling and tie-in activities during the first quarter of 2004. Natural gas production increased 67 percent to 44,809 mcf per day during the three months ended June 30, 2004 compared to 26,873 mcf per day for the same period in 2003. The increase in natural gas production is due to successful drilling in the foothills and FSJ plains areas of British Columbia and Unity, Saskatchewan during 2003 and the first quarter of 2004. Oil and liquids production for the three months ended June 30, 2004 decreased two percent to 2,485 bbls per day from 2,544 bbls per day for the same period in 2003. The decrease in oil and liquids production is due to the Company's gas focused drilling in 2004, as well as, the disposition of certain oil producing properties in Saskatchewan during the quarter.

Average production for the quarter of 9,953 boe per day was higher than the first quarter of 2004 of 8,357 boe per day largely due to the tie-in of wells drilled in the first quarter.

Natural gas production increased 29 percent over the first quarter of 2004 with sales of 44,809 mcf per day for the three month period June 30, 2004 compared to 34,805 mcf per day for the three months ended March 31, 2004.

Oil and liquids production of 2,485 bbls per day for the second quarter of 2004 was three percent lower than the first quarter of 2004 of 2,556 bbls per day due to the disposition of certain oil producing properties in Saskatchewan.

COMMODITY MARKETS

Natural gas prices have been robust over the quarter with United States based Henry Hub prices averaging US\$6.00 per mcf and Alberta's AEEO price averaging \$7.02 per mcf. Storage reinjection is going well with fills slightly ahead of the 5 year average level. Natural gas demand for electrical generation is about 5% higher than last summer due to warmer weather and a stronger economy. For the remainder of 2004 the NYMEX forward market for natural gas is trading at approximately US\$6.50 per mcf and the Alberta AEEO price is over \$7.00 per mcf.

Crude oil prices remained strong throughout the second quarter with West Texas Intermediate ("WTI") averaging US\$38.25 per barrel. Robust global demand, ongoing terrorism strikes and tight inventories have set the stage for oil prices in 2004. OPEC continues to monitor supply and the effects on prices closely with promises of increased supply should prices stay too high. For the remainder of 2004 the NYMEX forward market for WTI is trading over US\$40.00 per barrel.

COMMODITY PRICING

For the three months ended June 30, 2004, Progress realized the following commodity prices compared to the same period in 2003;

Average Realized Progress Prices	Three Months Ended		Six Months Ended	
	2004	2003	2004	2003
Natural gas (before hedging) (\$/mcf)	7.17	6.76	6.95	7.48
Hedging (\$/mcf)	(0.07)	0.05	(0.04)	0.07
Amortization of hedge premiums (\$/mcf)	(0.03)	(0.09)	(0.06)	(0.09)
Amortization of commodity sales contract (\$/mcf)	0.05	0.08	0.05	0.09
Change in fair value of financial instruments (\$/mcf)	0.04	-	0.03	-
Natural gas (after hedging) (\$/mcf)	7.16	6.80	6.93	7.55
Crude oil (before hedging) (\$/bbl)	48.75	36.88	46.39	42.02
Hedging (\$/bbl)	(5.94)	-	(3.44)	(3.00)
Amortization of hedge premiums (\$/bbl)	(0.34)	(0.70)	(0.17)	0.03
Change in fair value of financial instrument (\$/bbl)	-	-	-	0.95
Crude oil (after hedging) (\$/bbl)	42.47	36.18	42.78	40.00
Natural gas liquids (\$/bbl)	43.40	27.85	39.84	33.66

From time to time the Company enters into fixed price swaps and options on crude oil and natural gas. The commodity prices recorded above for the three months ended June 30, 2004 are net of the effects of commodity price hedging charges of \$1.7 million (2003 - \$0.3 million), partially offset by the amortization of a commodity sales contract of \$0.2 million (2003 - \$0.2 million), as well as a gain from the change in the fair value of financial instruments of \$0.2 million (2003 - \$nil). For the six months ended June 30, 2004, commodity price hedging charges were \$2.2 million (2003 - \$0.9 million), partially offset by the amortization of a commodity sales contract of \$0.4 million (2003 - \$0.4 million) as well as a gain from the change in the fair value of financial instruments of \$0.2 million (2003 - \$0.4 million). The amortization of the commodity sales contract relates to a physical natural gas sales contract acquired in conjunction with the acquisition of Campion Resources Ltd. The change in fair value of financial instruments for 2004 relates to the Company's natural gas collars which ceased to be effective in hedging the Company's natural gas sales during the second quarter. Consequently, the change in the fair value of these financial instruments from the date they became ineffective resulted in a gain of \$0.2 million for the quarter. For 2003 the change in fair value of financial instruments relates to a written crude oil call option sold in 2002 for the first quarter of 2003 that did not qualify for hedge accounting. The change in its fair value of \$0.4 million was charged to petroleum and natural gas revenue during the year ended December 31, 2002 and reversed as an increase to petroleum and natural gas revenue during the first quarter of 2003 as the

option expired.

For detailed disclosure of Progress' hedging transactions refer to Note 9, Financial Instruments in the Consolidated Financial Statements attached.

REVENUES

For the three months ended June 30, 2004, revenues increased 57 percent to \$38.8 million from \$24.8 million for the same period in 2003 due to both higher production volumes and higher commodity prices. During the six months ended June 30, 2004, revenues increased 28 percent to \$69.6 million from \$54.2 million for the same period in 2003 primarily due to higher production volumes.

ROYALTIES

For the three months ended June 30, 2004, royalties increased 91 percent to \$10 million from \$5.2 million for the same period in 2003. For the six months ended June 30, 2004, royalties increased 47 percent to \$17.1 million from \$11.6 million for the same period in 2003. The Company's average royalty rate for the three months ended June 30, 2004 was 24.8 percent (after removing the effects of hedging charges) compared to 21.0 percent in 2003 and for the six months ended June 30, 2004 was 24.0 percent compared to 21.2 percent in 2003. This rate increase is due to higher production volumes on higher royalty rate burdened farm-in lands.

OPERATING EXPENSES

Operating expenses increased 60 percent to \$5.6 million during the three months ended June 30, 2004 compared to \$3.5 million during the same period in 2003. For the six months ended June 30, 2004 operating expenses increased 52 percent to \$10.4 million compared to \$6.8 million during the same period in 2003. On a boe basis, the second quarter operating expenses increased 13 percent to \$6.15 from \$5.46 in the same period in 2003, while year to date operating expenses increased 15 percent to \$6.25 per boe from \$5.44 per boe in the same period in 2003. This increase is primarily due to the added cost of bringing on the newly commissioned facilities and wells without seeing the full production capability within the same quarter. Management anticipates normalized operating expense for the remainder of 2004 to be between \$5.00 and \$5.50 per boe.

TRANSPORTATION EXPENSES

Transportation expenses increased 37 percent to \$2.7 million for the three months ended June 30, 2004 compared to \$2.0 million for the same period in 2003. For the six months ended June 30, 2004 transportation expenses increased 42 percent to \$5.0 million from \$3.5 million for the same period in 2003. On a boe basis, the second quarter transportation expenses decreased three percent to \$2.98 per boe compared to \$3.08 for the same period in 2003, while year to date transportation expenses increased seven percent to \$2.98 per boe compared to \$2.78 for the same period in 2003. The decrease for the second quarter is mainly due to increased utilization, while the increase in year to date transportation charges is due to a greater proportion of production from British Columbia where rates are higher. In British Columbia, there is an infrastructure owned by Duke Energy that enables gas producers to avoid facility construction in exchange for regulated gathering, processing and transmission fees. This all-in charge is included in transportation

expenses.

GENERAL AND ADMINISTRATIVE EXPENSES

During the second quarter of 2004, net general and administrative expenses were consistent with the same period in 2003 with a total of \$0.6 million for the three months ended June 30, 2004 compared to \$0.7 million for 2003. For the six months ended June 30, 2004, net general and administrative expenses increased five percent to \$1.6 million from \$1.5 million for the same period in 2003. The slight increase in the year to date expense is due to the increase in full-time and contract staff required as a result of the increased size of the Company's operations, as well as \$0.2 million in stock based compensation expense recognized in 2004 (2003 - nil), with these charges being largely offset by higher recoveries due to the increased activity of the Company. The net general and administrative expense for the second quarter of 2004 is net of \$1.2 million of recoveries and amounts capitalized compared to \$0.7 million for the second quarter of 2003 and the year to date expense is net of \$2.6 million of recoveries and amounts capitalized compared to \$1.6 million in 2003.

INTEREST

Interest during the second quarter of 2004 of \$0.6 million was consistent with the same period in 2003. Interest for the six months ended June 30, 2004 was \$1.1 million compared to \$1.0 million for the same period in 2003. The increase is due to higher average debt levels due to the growth of the Company over the past year.

INCOME AND CAPITAL TAXES

Capital taxes were \$0.2 million for the second quarter of 2004 and 2003 and \$0.4 million for the six month periods ended June 30, 2004 and 2003. The provision for future income taxes for the three months ended June 30, 2004 increased to \$2.8 million from a recovery of \$0.1 million in the same period in 2003. The increase is due to a benefit recognized in the second quarter provision for 2003 of \$3.5 million related to changes and rate reductions to federal and Alberta income taxes. For the six months ended June 30, 2004 the provision for future income taxes increased to \$4.6 million from \$4.4 million for the same period in 2003. The increase is due to less recoveries in 2004 compared to 2003 for rate reductions and deduction changes.

DEPLETION, DEPRECIATION AND ACCRETION

For the three months ended June 30, 2004, depletion and depreciation of property, plant and equipment and the accretion of the asset retirement obligations increased 43 percent to \$8.6 million from \$6.0 million for the same period in 2003. For the six months ended June 30, 2004, depletion, depreciation and accretion increased 32 percent to \$15.4 million from \$11.6 million for the same period in 2003. The increase is due to higher production in 2004. On a boe basis depletion, depreciation and accretion has remained consistent with the prior periods of 2003 with the three months ended June 30, 2004 being \$9.47 compared to \$9.38 in 2003 and the six months ended June 30, 2004 being \$9.24 compared to \$9.26 for the same period in 2003.

NET EARNINGS AND CASH FLOW FROM OPERATIONS

Net earnings decreased 35 percent to \$4.5 million for the three months

ended June 30, 2004 compared to \$6.8 million during the same period in 2003. The decrease was primarily due to \$3.3 million in Plan of Arrangement costs incurred in 2004, as well as, future income tax recoveries in 2003 for rate reductions and deduction changes to federal and Alberta income taxes. Net earnings for the quarter was \$0.13 per share compared to \$0.22 per share during the second quarter of 2003. Similarly, diluted net earnings for the quarter was \$0.12 per share compared to \$0.20 per share during the second quarter of 2003.

Net earnings for the six months ended June 30, 2004 decreased 19 percent to \$10.7 million from \$13.3 million during the same period in 2003. The decrease was due to the same reasons explained above for the second quarter. Net earnings for the six months ended June 30, 2004 was \$0.32 per share compared to \$0.43 during the same period in 2003, while diluted net earnings for the six months ended June 30, 2004 was \$0.30 per share compared to \$0.40 per share.

Cash flow from operations increased 43 percent to \$17.8 million for the three months ended June 30, 2004 compared to \$12.5 million during the same period in 2003 due to higher production and commodity prices. Cash flow from operations for the three months ended June 30, 2004 was \$0.52 per share compared to \$0.40 per share during the same period in 2003. Diluted cash flow from operations for the three months ended June 30, 2004 was \$0.49 per share compared to \$0.37 per share during the same period in 2003.

Cash flow from operations increased 15 percent to \$32.8 million for the six months ended June 30, 2004 compared to \$28.5 million during the same period in 2003 due to higher production. Cash flow from operations for the six months ended June 30, 2004 was \$0.96 per share compared to \$0.92 per share for the same period in 2003, while diluted cash flow from operations was \$0.90 per share compared to \$0.86 per share.

QUARTERLY FINANCIAL SUMMARY

	Three months ended			
	June 30	Mar 31	Dec 31	Sept 30
	2004	2004	2003	2003
Petroleum and natural gas revenue	38,811	30,812	28,370	24,939
Cash flow from operations	17,833	14,928	13,390	12,317
- Basic	0.52	0.44	0.41	0.39
- Diluted	0.49	0.41	0.39	0.37
Net Earnings	4,464	6,247	4,293	3,647
- Basic	0.13	0.19	0.13	0.12
- Diluted	0.12	0.17	0.12	0.11

	Three months ended			
	June 30	Mar 31	Dec 31	Sept 30
	2003	2003	2002	2002
Petroleum and natural gas revenue	24,784	29,446	23,257	11,241
Cash flow from operations	12,502	16,045	11,999	4,609

- Basic	0.40	0.52	0.39	0.17
- Diluted	0.37	0.48	0.37	0.17

Net Earnings	6,835	6,470	2,723	100

- Basic	0.22	0.21	0.09	0.01
- Diluted	0.20	0.20	0.08	0.01

CAPITAL EXPENDITURES

During the three months ended June 30, 2004 the Company spent approximately \$16.6 million in net capital expenditures compared to \$15.2 million in the same period of 2003. For the six months ended June 30, 2004 the Company spent approximately \$60.3 million compared to \$40.7 million in the same period of 2003. Included in net property acquisitions (dispositions) is the disposition of certain oil producing properties in Saskatchewan for proceeds of approximately \$4.1 million for the three and six months ended June 30, 2004.

(\$ thousands)	Three Months Ended		Six Months Ended	
	2004	June 30 2003	2004	June 30 2003
Land acquisitions and retention	4,200	3,884	8,448	6,878
Geological and geophysical	1,438	864	6,300	4,042
Drilling and completions	6,604	6,586	29,809	19,339
Equipping and facilities	7,875	2,869	18,558	8,215
Net property acquisitions (dispositions)	(3,951)	926	(3,568)	2,016
Corporate assets	449	63	770	179

Total capital expenditures	16,615	15,192	60,317	40,669

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2004 the Company had approximately \$87.3 million outstanding on its credit facility and a working capital deficiency of \$18.8 million, totaling \$106.1 million of total net debt. The Company had a total credit facility of \$110 million at June 30, 2004, and in conjunction with the amalgamation with Cequel Energy Inc. in July 2004 this was replaced by a new credit facility with available credit of \$215 million (described in the Plan of Arrangement).

(\$ thousands)	June 30, 2004	December 31, 2003
Net debt		
Working capital deficiency	18,765	10,360
Bank debt	87,296	45,073

	106,061	55,433

The Company's investing activities which consisted primarily of expenditures on the capital program for 2004 has been funded primarily with cash flow and additional net debt. The issuance of equity during the period was from the exercise of options and warrants.

(\$ thousands)	Three Months Ended		Six Months Ended	
	2004	June 30 2003	2004	June 30 2003

Investment Program Funding				
Cash flow from operations	17,833	12,502	32,761	28,548
Changes in non-cash operating working capital	334	(591)	1,840	14
Increase in bank debt	25,291	10,947	42,223	9,220
Issue of shares (net of share issue costs)	3,452	1,259	5,407	1,319
Plan of arrangement costs	(21,943)	-	(21,943)	-
Change in non-cash financing working capital	6,215	-	6,069	-
Deferred plan of arrangement costs	(6,700)	-	(6,700)	-
Change in non-cash investing working capital	(7,867)	(8,925)	660	(1,378)
Cash position, beginning of period	-	-	-	2,946

	16,615	15,192	60,317	40,669

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2004, the Company adopted the new Canadian accounting standard for asset retirement obligations. The three and six months ended June 30, 2003 financial statements have been restated to reflect this change resulting in a reduction of \$0.1 million to net earnings. Effective January 1, 2004, and consistent with the adoption of the new Canadian accounting standard for generally accepted accounting principles, transportation costs have been reclassified as an expense in the consolidated statements of earnings and retained earnings for the three and six months ended June 30, 2004 and 2003. Previously, as was industry practice, transportation expenses were netted off revenue. Also effective January 1, 2004, the Company adopted the new Canadian guidelines for oil and gas accounting using the full cost method and hedging relationships. The adoption of these guidelines had no impact on the results of operations or financial position of the Company.

OUTLOOK

We begin the third quarter of 2004 as an energy trust but our focus remains unchanged - create value for unitholders at all points in the cycle. One of the benefits afforded by the amalgamation of Progress and Cequel is a deep inventory of internal opportunities. The Trust is in the enviable position of being able to maintain or modestly grow production from the existing asset base without reliance on acquisitions.

Our formula for sustainability combines the technical strengths of our engineering, geological and geophysical staff with a deep internal inventory of development opportunities. We expect to capture further upside through joint venture and farm-in/out opportunities with ProEx in the shallow foothills and plains regions of northeast British Columbia and Cyries in the Deep Basin in northwest Alberta.

Operationally, we are targeting 20,000 boe per day. Operating costs are expected to average \$5.00 - \$5.50 per boe, representing top quartile performance among peers. In the second half of 2004, the Trust will drill 15-20 wells and invest \$25-\$30 million, primarily targeting northeast British Columbia multizone, tight gas opportunities.

The employees and management of Progress Energy Ltd. have a strong track record of value creation and are joined by an equally successful team from Cequel. Together we will work towards our goal of building a premier, sustainable energy trust.

On behalf of the Board of Directors,

(Signed) "David D. Johnson"

David D. Johnson
 Executive Chairman
 Progress Energy Ltd.
 July 29, 2004

Forward Looking Statements - Certain information regarding Progress Energy Ltd. set forth in this document, including management's assessment of Progress Energy Ltd.'s future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond Progress Energy Ltd.'s control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, current fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Progress Energy Ltd.'s actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Progress Energy Ltd. will derive therefrom.

PROGRESS ENERGY LTD
 CONSOLIDATED BALANCE SHEETS

(\$ thousands)	June 30, 2004	December 31, 2003
	(Unaudited)	(Audited) (Restated Note 2)
ASSETS		
Current		
Accounts receivable	23,199	15,203
Prepaid expenses and deposits	3,299	2,790

	26,498	17,993
Property, plant and equipment	269,040	225,119
Deferred plan of arrangement costs (Note 10)	6,700	-
Goodwill	9,000	9,000
	311,238	252,112
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	45,263	28,353
	45,263	28,353
Bank debt (Note 4)	87,296	45,073
Commodity sales contract (Note 9)	2,464	2,856
Asset retirement obligations (Notes 2 and 5)	10,668	11,778
Future income taxes (Note 7)	30,731	32,274
	176,422	120,334
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	102,169	96,752
Contributed surplus (Note 6)	-	246
Retained earnings	32,647	34,780
	134,816	131,778
Subsequent event (Note 10)		
	311,238	252,112

See accompanying notes to the consolidated financial statements

PROGRESS ENERGY LTD.
CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS
(Unaudited)

(\$ thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	2004	June 30 2003	2004	June 30 2003
		(Restated Note 2)		(Restated Note 2)
REVENUES				
Petroleum and natural gas	38,811	24,784	69,623	54,230
Royalties	(9,957)	(5,208)	(17,100)	(11,616)
	28,854	19,576	52,523	42,614
EXPENSES				
Operating	5,572	3,488	10,412	6,843
Transportation (Note 2)	2,701	1,966	4,972	3,497
General and administrative	629	675	1,607	1,536

Interest	637	553	1,138	971
Depletion, depreciation and accretion	8,580	5,995	15,403	11,649
Plan of arrangement (Note 10)	3,314	-	3,314	-
	21,433	12,677	36,846	24,496
Earnings before taxes	7,421	6,899	15,677	18,118
TAXES				
Capital taxes	183	186	364	375
Future income taxes (Note 7)	2,774	(122)	4,602	4,438
	2,957	64	4,966	4,813
NET EARNINGS	4,464	6,835	10,711	13,305
Retained earnings, beginning of period	41,027	21,322	36,290	14,800
Retroactive application of change in accounting policy (Notes 2 and 5)	-	(1,171)	(1,510)	(1,119)
Retained earnings, beginning of period, as restated	41,027	20,151	34,780	13,681
Plan of arrangement (Note 10)	(12,844)	-	(12,844)	-
Retained earnings, end of period	32,647	26,986	32,647	29,986
NET EARNINGS PER SHARE (Note 6)				
Basic	0.13	0.22	0.32	0.43
Diluted	0.12	0.20	0.30	0.40

See accompanying notes to the consolidated financial statements

PROGRESS ENERGY LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(\$ thousands)	Three Months Ended		Six Months Ended	
	2004	June 30 2003	2004	June 30 2003
Cash provided by (used in)		(Restated Note 2)		(Restated Note 2)

Operations

Net earnings	4,464	6,835	10,711	13,305
Depletion, depreciation and accretion	8,580	5,995	15,403	11,649
Amortization of commodity sales contract	(194)	(203)	(392)	(434)
Stock based compensation expense	2,475	-	2,718	-
Asset retirement expenditures	(102)	(3)	(117)	(37)
Change in fair value of financial instrument (Note 9)	(164)	-	(164)	(373)
Future income taxes	2,774	(122)	4,602	4,438
<hr/>				
Cash flow from operations	17,833	12,502	32,761	28,548
Changes in non-cash working capital (Note 8)	334	(591)	1,840	14
<hr/>				
	18,167	11,911	34,601	28,562
<hr/>				

Financing

Increase in bank debt	25,291	10,947	42,223	9,220
Issue of shares	3,452	1,259	5,407	1,319
Plan of arrangement (Note 10)	(21,943)	-	(21,943)	-
Deferred plan of arrangement costs (Note 10)	(3,350)	-	(3,350)	-
Changes in non-cash working capital (Note 8)	6,215	-	6,069	-
<hr/>				
	9,665	12,206	28,406	10,539
<hr/>				

Investing

Deferred plan of arrangement costs (Note 10)	(3,350)	-	(3,350)	-
Capital expenditures	(16,615)	(15,192)	(60,317)	(40,669)
Change in non-cash working capital (Note 8)	(7,867)	(8,925)	660	(1,378)
<hr/>				
	(27,832)	(24,117)	(63,007)	(42,047)
<hr/>				
Decrease in cash and short-term investments	-	-	-	(2,946)
Cash and short-term investments, beginning of period	-	-	-	2,946
<hr/>				

Cash and short-term investments, end of period	-	-	-	-

See accompanying notes to the consolidated financial statements

PROGRESS ENERGY LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. ACCOUNTING POLICIES

The interim consolidated financial statements of Progress Energy Ltd. (the "Company") have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended December 31, 2003. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's annual report for the year ended December 31, 2003.

Progress Energy Ltd. is involved in the exploration, development and production of petroleum and natural gas in British Columbia, Alberta and Saskatchewan. The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and partnership. The consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

2. CHANGES IN ACCOUNTING POLICIES

Asset Retirement Obligations

Effective January 1, 2004, the Company adopted the new Canadian accounting standard for asset retirement obligations. Under this new standard, the Company records a liability for the fair value of legal obligations associated with the retirement of long-lived tangible assets in the period in which they are incurred, normally when the asset is purchased or developed. On recognition of the liability there is a corresponding increase in the carrying amount of the related asset known as the asset retirement cost, which is depleted on a unit-of-production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings, and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability. The impact of the adoption of the new standard is described in note 5.

Full Cost Accounting Guideline

Effective January 1, 2004, the Company adopted the new Canadian accounting guideline for oil and gas accounting using the full cost method. Under this new guideline, oil and gas assets are evaluated at least annually to determine that the costs are recoverable and do not exceed the fair value of the properties. The costs are assessed to be recoverable if the sum of the undiscounted cash flows expected from the production of proved reserves and the lower of cost and market of unproved properties exceed the carrying value of the oil and gas assets. If the carrying value of the oil and gas assets is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of cost and market of unproved properties. The cash flows are estimated using the future product prices and costs and are discounted using the risk-free rate. The impact of the adoption of the new guideline is described in note 3.

Hedging Relationships

Effective January 1, 2004, the Company adopted the new Canadian accounting guideline for hedging relationships. The guideline describes the conditions necessary for a transaction to qualify for hedge accounting, the formal documentation required to enable the use of hedge accounting and the requirements to assess the effectiveness of hedging relationships. Also early in 2004, an amended accounting abstract became effective which requires financial instruments that are not designated as hedges to be recorded at fair value on the balance sheet with changes in fair value recognized in earnings. The adoption of the guideline and amended abstract had no impact on the Company's financial position as at January 1, 2004.

Transportation Expenses

Effective January 1, 2004, and consistent with the adoption of the new Canadian accounting standard for generally accepted accounting principles, transportation costs are presented as an expense in the Consolidated Statements of Earnings and Retained Earnings. The new standard defines the sources of GAAP and effectively eliminates industry practice as a source of GAAP. In 2003, as was industry practice, transportation costs were netted off revenue and have been reclassified to conform to the presentation adopted in 2004. In British Columbia, there is an infrastructure in place that enables gas producers to avoid facility construction in exchange for regulated gathering, processing and transmission fees. This all-in charge is included in transportation expense.

3. PROPERTY, PLANT AND EQUIPMENT

Adoption of the new guideline for oil and gas accounting using the full cost method, as outlined in note 2, had no effect on the Company's financial statements. The future commodity prices used in the ceiling test prepared on initial adoption were based on January 1, 2004 commodity price forecasts of the Company's independent reserve engineers adjusted for differentials specific to

the Company's reserves. The following table summarizes the future benchmark prices the Company used in the ceiling test:

	Crude Oil		Natural Gas		Natural Gas Liquids		
	West Texas Intermediate (Cdn\$/ bbl) (1)	Edmonton Par Price (Cdn\$/ bbl)	AECO Gas price (Cdn\$/ mmbtu)	Spec Ethane (Cdn\$/ bbl)	Edmonton Propane (Cdn\$/ bbl)	Edmonton Butane (Cdn\$/ bbl)	Edmonton Pentanes (Cdn\$/ bbl)
2004	38.67	37.35	5.85	19.50	26.75	28.75	38.25
2005	34.67	33.75	5.15	17.00	21.75	23.75	34.25
2006	33.33	32.50	5.00	16.50	20.50	22.50	33.00
2007	33.33	32.50	5.00	16.50	20.50	22.50	33.00
2008	33.33	32.50	5.00	16.50	20.50	22.50	33.00
There- after(2)	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

(1) Future prices incorporated a \$0.75 US/Cdn exchange rate.

(2) Percentage change of 1.5% represents the change in future prices each year after 2009 to the end of the reserve life.

4. BANK DEBT

(\$ thousands)	June 30, 2004	December 31, 2003
Direct advances	14,411	10,158
Banker's acceptances	72,885	34,915
Total bank debt	87,296	45,073

At June 30, 2004 the Company has a total credit facility of \$110 million available, including a revolving term credit facility up to \$95 million, a \$5 million operating facility and a \$10 million bridge facility with a syndicate of Canadian banks. The bridge facility is available for use in completing the Plan of Arrangement as described in note 10. The revolving term facility and operating facility are available on a revolving basis for a period of 364 days until May 28, 2005. On May 28, 2005, at the Company's discretion, the facilities will be available on a non-revolving basis for a one year term until May 28, 2006, at which time the facilities will be due and payable. Alternatively the facilities may be extended for a further 364 day period at the request of the Company and subject to approval by the banks. The credit facilities are secured by a \$150 million fixed and floating charge debenture on the assets of the Company. The \$100 million borrowing base of the revolving term facility and operating facility is subject to a semi-annual and annual review by the banks. Subsequent to the Plan of Arrangement, the Company entered into a new credit facility which is detailed in note 10.

5. ASSET RETIREMENT OBLIGATIONS

The new accounting standard, as outlined in note 2, was adopted retroactively with restatement of prior periods presented for comparative purposes. The effect of the adoption on previously reported amounts is presented below as increases (decreases):

Balance Sheet (\$ thousands)	December 31, 2003	As at December 31, 2002

Asset retirement costs, included in property plant and equipment	5,477	7,682
Asset retirement obligations	11,778	11,987
Site restoration and abandonment liability	(3,965)	(2,574)
Future income taxes	(826)	(612)
Retained earnings	(1,510)	(1,119)

Income Statement (\$ thousands, except per share amounts)	Three Months Ended June 30, 2003	Six Months Ended June 30, 2003	Year Ended December 31, 2003

Depletion, depreciation and accretion	91	172	379
Future income taxes	(32)	(61)	(134)
Net earnings	(59)	(111)	(245)
Net earnings per share			
Basic	-	-	(0.01)
Diluted	(0.01)	-	(0.01)

The total future asset retirement obligations was estimated based on the Company's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows required to settle the asset retirement obligations is approximately \$26.7 million which will be incurred over the next 57 years with the majority of costs incurred between 2009 and 2020. A credit adjusted risk-free rate of eight percent was used to calculate the fair value of the asset retirement obligations.

The following reconciles the Company's asset retirement obligations:

(\$ thousands)	2004	Six Months Ended June 30 2003	Year Ended December 31 2003

Balance, beginning of period	11,778	11,987	11,987

Liabilities incurred	558	638	1,731
Liabilities settled	(117)	(37)	(225)
Dispositions	(1,998)	-	(2,687)
Accretion expense	447	487	972

Balance, end of period	10,668	13,075	11,778

6. SHARE CAPITAL

(\$ thousands - except share amounts)	Six months ended June 30			
	2004		2003	
	Number	Amount	Number	Amount

Common Shares				
Balance, beginning of period	33,411,094	96,752	30,911,781	74,477
Issued on exercise of stock options	573,463	2,095	408,562	1,319
Issued on exercise of warrants	1,253,498	3,322		-

Balance, end of period	35,238,055	102,169	31,320,343	75,796

Warrants				
Balance, beginning of period	1,253,498	276	1,253,498	276
Warrants exercised	(1,253,498)	(276)		-

Balance, end of period	-	-	1,253,498	276

Total share capital		102,169		76,072

Earnings per share

The following table summarizes the common shares used in calculating net earnings per common share:

	Three Months Ended June 30	Six Months Ended June 30
Weighted Average		

Common Shares	2004	2003	2004	2003
Basic	34,156,844	31,104,380	33,959,077	31,013,915
Diluted	36,344,341	33,400,838	36,240,061	33,274,760

The reconciling items between the basic and diluted average common shares are outstanding stock options and warrants.

Stock options

The following table sets forth a reconciliation of the stock option plan activity through to June 30, 2004:

(\$ except share amounts)	Number of options	Weighted average exercise price
Balance, December 31, 2003	3,205,938	5.91
Granted	17,000	12.75
Exercised	(573,463)	3.64
Settled for cash	(2,649,475)	6.44
Balance, June 30, 2004	-	-

Pursuant to the Plan of Arrangement described in note 10, as at June 30, 2004 all of the outstanding stock options vested and the Company accepted the holders' put right thereby settling the options for cash in the amount of approximately \$21.9 million.

The Company accounts for its stock based compensation plan using the fair value method. Under this method, a compensation cost is charged to administrative expense for stock options granted to employees and directors after 2002 with a corresponding increase to contributed surplus. The Company adopted this method in the fourth quarter of 2003 to coincide with the amended stock based compensation standard. This change had an immaterial impact on the financial position and results of operations of the Company for the first and second quarters of 2003 and consequently there has been no restatement of the financial statements for the three and six months ended June 30, 2003.

The following table reconciles the Company's contributed surplus:

(\$ thousands)	Three Months Ended		Six Months Ended	
	2004	June 30 2003	2004	June 30 2003
Balance, beginning of period	479	-	246	-
Stock based compensation expense	2,475	-	2,718	-

Options exercised	-	-	(10)	-
Options settled for cash	(2,954)	-	(2,954)	-

Balance, end of period	-	-	-	-

The Company continues to disclose the pro forma earnings impact of stock options granted in 2002. If the fair value method had been used for options granted in 2002, the Company's net earnings and net earnings per share for the periods ended June 30, 2004 and 2003 would approximate the following pro forma amounts:

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2004	2003	2004	2003

Net Earnings:				
As reported	4,464	6,894	10,711	13,416
Pro forma	3,997	6,373	10,244	12,895

Net Earnings per Share:				
Basic				
As reported	0.13	0.22	0.32	0.43
Pro forma	0.12	0.20	0.30	0.42
Diluted				
As reported	0.12	0.21	0.30	0.40
Pro forma	0.11	0.19	0.28	0.39

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions and resulting values for grants as follows:

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2004	2003	2004	2003

Risk free				
interest rate (%)	-	4.01	3.29	4.03
Expected life (years)	-	4.00	4.00	4.00
Expected volatility (%)	-	33	34	33

Results

Weighted average fair value of options granted (\$)	-	2.81	4.05	2.74

7. TAXES

The provision for future income taxes for the six months ended

June 30, 2004 includes a \$1.6 million future income tax recovery for a one percent reduction to the Alberta corporate income tax rate and reductions to the Company's federal tax provision.

8. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

(\$ thousands)	Three Months Ended		Six Months Ended	
	2004	June 30 2003	2004	June 30 2003
Accounts receivable	(4,088)	725	(7,996)	(2,927)
Prepaid expenses and deposits	(636)	(609)	(172)	(272)
Accounts payables	3,406	(9,632)	16,737	1,835
Change in non-cash working capital	(1,318)	(9,516)	8,569	(1,364)
Relating to:				
Financing activities	6,215	-	6,069	-
Investing activities	(7,867)	(8,925)	660	(1,378)
Operating activities	334	(591)	1,840	14

Interest and taxes paid

(\$ thousands)	Three Months Ended		Six Months Ended	
	2004	June 30 2003	2004	June 30 2003
Interest paid	602	403	1,105	887
Income and other taxes paid	403	84	561	140

9. FINANCIAL INSTRUMENTS

Commodity Price Contracts

The Company has entered into several derivative financial instruments for both crude oil and natural gas for the purpose of protecting its future earnings and cash flow from operations from the volatility of crude oil and natural gas commodity prices. During the three months ended June 30, 2004, the natural gas collars, described below, ceased to be effective in hedging the Company's natural gas sales. Consequently, the change in fair value of these financial instruments from the date they became ineffective resulted in a gain of \$0.2 million in the quarter. For the three and six months ended June 30, 2004, the Company's crude oil and natural gas price risk management program, including the change in the fair value of ineffective hedges, had a net cost of

\$1.3 million and \$1.6 million (2003 - \$0.1 million and \$0.5 million), which is included in petroleum and natural gas revenue on the statements of earnings.

Contracts outstanding in respect to financial instruments are as follows:

Contract	Volume	Pricing Point	Strike Price	Cost/ Premium	Term

Crude Oil					
Collar(1)	800 bbls/d	WTI	US\$23.00 - US\$30.00	US\$0.675 /bbl	Apr 01/04 - Dec 31/04

Natural Gas					
Collar(1)	10,000 gj/d	AECO	Cdn\$5.00 - Cdn\$6.50	US\$0.15 /gj	Apr 01/04 - Oct 31/04
Costless collar(1)	5,000 gj/d	AECO	Cdn\$5.70 - Cdn\$7.00	n/a	Apr 01/04 - Oct 31/04
Costless collar(1)	5,000 gj/d	AECO	Cdn\$5.75 - Cdn\$7.00	n/a	Jul 01/04 - Oct 31/04

(1) Collar strike price indicates minimum floor and maximum ceiling

The above estimated fair value of the crude oil price collar that qualifies for hedge accounting was \$1.7 million as at June 30, 2004 and represents the amount the Company would pay to terminate the contract at June 30, 2004. The instrument has no carrying value recorded in the financial statements.

Commodity Sales Contract

The following physical gas sales contract was outstanding at June 30, 2004. This contract was acquired in conjunction with the acquisition of Champion Resources Ltd. on June 3, 2002, at which time the fair value of the contracts was a liability of \$4.1 million. This value was recorded as a liability on June 3, 2002, and is being amortized over the life of the contract. At June 30, 2004 the remaining liability was \$2.5 million.

Volume	Pricing Point	Progress Price	Term
1,000 gj/d	AECO	\$2.01/gj in 2004 escalating at 2.5% annually	Jun 1/97 - Oct 31/08

10. SUBSEQUENT EVENT

On July 2, 2004 the Company and Cequel Energy Inc. ("Cequel") amalgamated to create Progress Energy Trust (the "Trust") and two publicly listed, exploration-focused companies, ProEx Energy Ltd. ("ProEx") and Cyries Energy Inc. ("Cyries"), pursuant to the Plan of Arrangement. The Plan of Arrangement resulted in Progress shareholders receiving one trust unit or exchangeable share of the Trust and 0.2 of a share in each of ProEx and Cyries. Cequel shareholders received 0.695 trust units or exchangeable shares of the Trust and 0.139 of a share in each of ProEx and Cyries.

The Trust owns approximately 90 percent of the producing assets of the Company and Cequel. The remainder of the properties of the Company and Cequel were transferred to ProEx and Cyries, respectively, consisting of certain prospective natural gas weighted assets and undeveloped land.

In accordance with the Plan of Arrangement, all outstanding stock options of the Company, vested and the Company accepted the holders' put right thereby settling the options for cash in the amount of \$21.9 million. The after tax value of the cash settlement, net of \$3.0 million of contributed surplus relating to the options, resulted in a charge of \$12.8 million to retained earnings. As a result, the remaining unamortized stock based compensation cost relating to options granted after 2002 of \$2.5 million was charged to earnings with an offsetting increase to contributed surplus. The Company also incurred \$0.8 million of severance costs, which together with the stock based compensation expense, have been included in plan of arrangement expense on the statement of earnings for the three and six months ended June 30, 2004.

As at June 30, 2004 the Company has incurred \$6.7 million in costs relating to the acquisition of Cequel and the creation of Progress Energy Trust. These costs have been deferred on the Company's balance sheet and will be charged to Cequel acquisition costs and Unitholders' capital on the closing of the transaction in July 2004.

In conjunction with the amalgamation with Cequel Energy Inc., the Company has entered into a new credit facility with a syndicate of banks and now has a \$200 million extendible revolving term credit facility and a \$15 million working capital credit facility. The facilities are available on a revolving basis for a period of at least 364 days until May 31, 2005, and such initial term out date may be extended for further 364 day periods at the request of the Company, subject to approval by the banks. Following the term out date, the facilities will be available on a non-revolving basis for a one year term, at which time the facilities would be due and payable. The credit facilities are secured by a \$500 million fixed and floating charge debenture on the assets of the Company and by a guarantee and subordination provided by Progress Energy Trust in respect of the Company's obligations. The \$215 million borrowing base is subject to semi-annual review by the banks.

As a result of the completion of the Plan of Arrangement, on July 28, 2004 the issued and outstanding trust units of the Trust were 65,399,414 and the exchangeable shares outstanding were 15,999,994.

SELECTED QUARTERLY INFORMATION

FINANCIAL HIGHLIGHTS

(\$ thousands except per share amounts)	Three months Ended					
	2003			2004		
	March 31	June 30	Sept 30	Dec 31	March 31	June 30
Income Statement						
Petroleum and natural gas revenue	29,446	24,787	24,939	28,370	30,812	38,811
Cash flow from operations	16,045	12,502	12,317	13,390	14,928	17,833
Per share						
- basic	0.52	0.40	0.39	0.41	0.44	0.52
Per share						
- diluted	0.48	0.37	0.37	0.39	0.41	0.49
Net earnings	6,470	6,835	3,647	4,293	6,247	4,464
Per share						
- basic	0.21	0.22	0.12	0.13	0.19	0.13
Per share						
- diluted	0.20	0.20	0.11	0.12	0.17	0.12
Balance Sheet						
Capital Expenditures						
Land acquisitions and retention	2,994	3,884	962	4,159	4,248	4,200
Geological and geophysical	3,178	864	1,046	1,434	4,862	1,438
Drilling and completions	12,753	6,586	14,420	11,915	23,205	6,604
Equipping and facilities	5,346	2,869	8,007	7,695	10,683	7,875
Net property acquisitions (dispositions)	1,090	926	266	(6,442)	383	(3,951)
Corporate assets	115	63	67	97	321	449
	25,476	15,192	24,768	18,858	43,702	16,615
Total debt						
Bank debt	41,659	52,606	53,624	45,073	62,005	87,296
Working capital deficiency	14,659	5,142	16,543	10,360	20,247	18,765
	56,318	57,748	70,167	55,433	82,252	106,061
Shareholders' equity						
	96,134	104,288	108,081	133,288	140,224	134,816
Common Share Information						

(thousands
except where
otherwise stated)

Shares outstanding at end of period						
- Common	30,937	31,320	31,327	33,411	33,939	35,238
Weighted average shares outstanding for the period						
- Basic	30,922	31,104	31,325	32,600	33,761	34,156
- Diluted	33,142	33,401	33,620	34,688	36,136	36,344
Volume traded	7,089	9,593	5,713	3,662	6,886	10,940
Common share price (\$)						
- High	9.20	11.50	10.85	12.51	15.95	16.25
- Low	7.40	7.05	8.90	9.55	12.00	13.00
- Closing	8.10	9.90	9.85	12.50	14.26	14.86

SELECTED QUARTERLY INFORMATION

OPERATIONAL HIGHLIGHTS

	Three months Ended					
	2003			2004		
	March 31	June 30	Sept 30	Dec 31	March 31	June 30

Production						
Natural gas (mcf/d)	26,830	26,873	28,736	33,237	34,805	44,809
Crude oil (bbls/d)	2,094	2,260	2,358	2,629	2,227	2,160
Natural gas liquids (bbls/d)	311	284	289	315	329	325
Total (boe/d) (6:1)	6,877	7,022	7,436	8,483	8,357	9,953
Pricing						
Natural gas (before hedging) (\$/mcf)	8.21	6.76	6.03	5.89	6.66	7.17
Hedging (\$/mcf)	(0.01)	(0.04)	(0.04)	0.09	(0.09)	(0.10)
Amortization of commodity sales contract (\$/mcf)	0.10	0.08	0.08	0.06	0.06	0.05
Change in fair value of financial instrument (\$/mcf)	-	-	-	-	-	0.04

Natural gas						

(after hedging) (\$/mcf)	8.30	6.80	6.07	6.04	6.63	7.16

Crude oil (before hedging) (\$/bbl)	47.64	37.54	37.69	37.73	44.15	48.75
Hedging (\$/bbl)	(5.45)	(0.70)	(0.55)	(1.38)	(1.03)	(6.28)
Change in fair value of financial instrument (\$/bbl)	1.98	-	-	-	-	-

Crude oil (after hedging) (\$/bbl)	44.17	36.84	37.14	36.35	43.12	42.47

Natural gas liquids (\$/bbl)	38.99	27.85	32.10	32.71	36.33	43.40

Selected Highlights (\$/boe)						
Weighted average sales price	47.57	39.00	36.48	36.15	40.52	42.85
Royalties	10.35	8.15	7.19	7.76	9.39	10.99
Operating expenses	5.42	5.46	5.92	5.68	6.36	6.15
Transportation expenses	2.47	3.29	2.73	2.75	2.99	2.98
Operating Netbacks	29.33	22.10	20.64	19.96	21.78	22.73
General and administrative	1.39	1.06	1.03	1.80	1.29	0.69
Depletion, depreciation and accretion	9.14	9.38	9.26	9.39	8.97	9.47
Net earnings	10.45	10.70	5.33	5.50	8.21	4.93

Gross Drilling Results						
Natural gas	10	6	19	14	18	3
Crude oil	7	-	4	2	4	2
Service	1	-	-	-	-	-
Dry	6	1	5	2	6	-

	24	7	28	18	28	5

Success Rate (%)	75	86	82	89	79	100

CORPORATE INFORMATION

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David D. Johnson
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President & CEO
ProEx Energy Ltd.
Calgary, Alberta

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Cyries Energy Inc.
Calgary, Alberta

John A. Brussa (3)
Partner
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Calgary, Alberta

Frederic C. Coles (1) (2) (4)
Independent Businessman
Calgary, Alberta

Howard Crone (2) (4)
Director
Cyries Energy Inc.
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Michael R. Culbert
President
Progress Energy Ltd.
Calgary, Alberta

Gary E. Perron (1) (3)
Senior Vice President and
Managing Director
BMO Nesbitt Burns
Calgary, Alberta

- (1) Member of Audit Committee
- (2) Member of Reserve Committee
- (3) Member of Compensation Committee
- (4) Member of Technical Services Committee

Environment, Health and Safety, Corporate Governance and Nomination Matters are addressed by the entire Board of Directors

OFFICERS

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Executive Chairman

Michael R. Culbert
President

Steven A. Allaire

Senior Vice President

Greg W. Kist
Vice President Investor Relations

Art A. MacNichol
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