

Progress Energy Trust 2007 Quarterly Report to Unitholders – For the three months ended March 31, 2007

Progress Energy Trust's Growing Production Profile

Successful winter drilling program augmented by two strategic acquisitions

	Three Months Ended March 31	
	2007	2006
FINANCIAL HIGHLIGHTS		
Income Statement (\$ thousands, except per unit amounts)		
Petroleum and natural gas revenue	85,477	91,568
Cash flow ¹	53,080	47,637
Per unit – diluted ²	0.60	0.55
Cash distributions declared	24,831	30,836
Per unit	0.30	0.42
Payout Ratio		
Excluding exchangeable shares	47%	65%
Including exchangeable shares	54%	76%
Balance Sheet (\$ thousands)		
Working capital deficiency	22,161	18,382
Bank debt	109,598	95,000
Convertible debentures	120,241	58,724
Total debt	252,000	172,106
Capital expenditures	43,601	35,984
OPERATIONAL HIGHLIGHTS		
Average Daily Production		
Natural gas (<i>mcf/d</i>)	94,351	86,433
Crude oil (<i>bbls/d</i>)	2,118	2,605
Natural gas liquids (<i>bbls/d</i>)	1,379	1,390
Total daily production (<i>boe/d</i>)	19,222	18,401
Average Realized Prices		
Natural gas (<i>\$/mcf</i>)	7.87	8.80
Crude oil (<i>\$/bbl</i>)	62.15	64.45
Natural gas liquids (<i>\$/bbl</i>)	55.08	62.86
Wells Drilled, Net	13.1	21.0

(1) Cash flow is a non-GAAP term, refer to Management's Discussion and Analysis attached.

(2) Total units outstanding include trust units plus exchangeable shares outstanding at period end. The exchangeable shares are converted at the exchange ratio at the end of the period.

Progress Energy Trust (“Progress” or “Trust”) reported record quarterly production averaging 19,222 barrels of oil equivalent (“boe”) per day, an increase of four percent compared to 18,401 boe per day in the first quarter of 2006 and an increase of six percent compared to 18,060 boe per day in the fourth quarter of 2006.

First quarter production included 94 million cubic feet (“mmcf”) per day of natural gas and 3,497 barrels of light and medium oil and natural gas liquids. The growth in production reflects the success of the Trust’s focus on its organic drilling opportunities in the Deep Basin and Foothills regions, both of which reached record production levels in March of 2007.

“Our drilling program has been augmented by the acquisition of producing assets and lands in our back yard in the Deep Basin and the Foothills,” said Michael Culbert, President and CEO of Progress. “Since our conversion to a trust three years ago we have remained disciplined and patient waiting for the right opportunity which had operating and financial characteristics consistent with our current asset base while providing material exposure to exploitation and exploration upside.”

Progress generated strong financial results with cash flow from operations of \$53.0 million or \$0.60 per unit, diluted, for the first quarter of 2007, a nine percent increase compared to the first quarter of 2006. Cash distributions declared totaled \$24.8 million which includes the cash distribution payable to subscription receipt holders of record at March 31, 2007. This results in a payout ratio of 47 percent excluding exchangeable shares which do not receive cash distributions, or 54 percent including exchangeable shares.

Progress captures new opportunities

In the first quarter, the Trust maintained its steady drilling pace utilizing four rigs in its core areas in the Deep Basin and Foothills. Progress participated in 29 gross wells (13.1 net) with an 89 percent commercial success rate.

In the Deep Basin of northwest Alberta, Progress drilled 14 gross wells (9.7 net) resulting in 11 gas wells during the quarter. The drilling program yielded six significant new gas and condensate discoveries across the area with individual stabilized test rates as high as 600 boe per day. These new discoveries have generated several follow-up locations. In addition to its drilling activities, the Trust undertook substantial expansion in the Deep Basin through a number of initiatives:

- Successfully closed the previously announced corporate acquisition, adding 3,600 boe per day and 176,000 net undeveloped acres of land;
- Completed a six section farm-in to a mid-sized Canadian producer;
- Acquired approximately 10,000 net acres at Crown land sales;
- Participated in a 37 square mile 3-dimensional (“3-D”) seismic program that successfully details the Falher channel system;
- Entered into an agreement to acquire assets from a major producer in the Wapiti area adding approximately 800 boe per day of production and 1.54 million boe of proved plus probable reserves and 31,000 net undeveloped acres of land.

In the Foothills of northeast British Columbia, 15 gross wells (3.4 net) were drilled targeting the pervasive Halfway sand. Progress continued to build on its asset position in the Foothills through the following initiatives:

- Successfully closed the previously announced corporate acquisition, adding 2,800 boe per day and 74,000 net undeveloped acres of land in the Foothills;
- Expanded the Dogrib gas pool by drilling two new gas tests and pushing production two miles to the south;
- Drilled new gas wells in West Beg, Sasquatch, Lily Lake and Julienne;
- At Julienne West, the Trust participated in a 140 square kilometer 3-D program designed to image the marine Gething sands;
- Participated in a 25 section farm-in in the Lily Lake and Sasquatch areas and completed the earning phase with the drilling of five commitment wells to earn 19 gross sections of land
- Successfully negotiated a large farm-in agreement with its joint venture partner, ProEx Energy, on a major Canadian-based international oil and gas company. The farm-in provides exposure to

approximately 40,000 gross acres of land in the Foothills. Progress will participate as to 20 percent in the farm-in land obligations.

Progress will proceed with an accelerated drilling program through the third and fourth quarters drilling approximately 25 to 30 gross wells in the Deep Basin and Foothills regions, evenly divided between the two quarters.

Strong natural gas prices and low cost structure

The Trust's average gas price in the quarter was \$8.69 per thousand cubic feet ("mcf") including gains on its commodity risk management positions. Progress' natural gas production achieves a premium price to the prices quoted at AECO because of its high heat content nature.

Operating expenses averaged \$6.38 per boe in the first quarter of 2007 compared to \$5.81 per boe in the first quarter of 2006. Per boe operating costs, transportation, general and administrative expenses and interest expenses, key components of the Trust's cash costs were essentially unchanged in the first quarter of 2007 compared to the same period in 2006 reflecting the Trust's ability to maintain its low cost structure because of its concentration and quality of assets.

Additional detail on the acquisitions

On March 5, 2007, Progress announced a major, natural gas focused acquisition and concurrent financing which expanded its area dominance in the Deep Basin of northwest Alberta and the Foothills of northeast British Columbia. The transaction closed on April 2, 2007 with an effective date of April 1, 2007.

The acquisition price was \$390.3 million before closing adjustments and costs and included current production of approximately 6,400 boe per day weighted 95 percent to natural gas. The acquisition included 250,000 net undeveloped acres in large contiguous land blocks with high-working interests, over 1,700 square kilometers of 3-D seismic coverage and more than 4,200 kilometers of 2-D data, all of which will assist the company in building its ongoing drilling inventory.

"One of the unique aspects of the acquisition was the tax pools of approximately \$650 million," said Mr. Culbert. "Combined with our year-end 2006 tax pools of approximately \$280 million, we have substantial coverage which we anticipate will provide sheltering beyond 2011 when the taxation of income trusts is expected to occur."

Subsequent to the end of the first quarter, Progress entered into an agreement to acquire assets from a major producer in the Wapiti area of the Deep Basin for approximately \$39.8 million, net of final closing adjustments. The acquisition adds approximately 800 boe per day of production, 1.54 million boe of proved plus probable reserves and 31,000 net undeveloped acres of land with varying working interests which will create further opportunities to consolidate working interests within the region. A map showing the acquired lands is available on Progress' website at www.progressenergy.com. Progress believes there is substantial upside opportunities on the acquired lands which are contiguous with the Trust's Gold Creek property. The acquisition also adds ownership in infrastructure which is strategic to the Trust's area expansion plans. A portion of the lands and infrastructure being acquired are subject to a right-of-first-refusal which could be exercised before closing of the acquisition which is scheduled to close on May 31, 2007.

Maintaining financial strength

Capital investment in the first quarter was approximately \$43.5 million including \$27.8 million for drilling and completions, \$11.3 million for facilities construction and \$4.8 million for land and seismic data acquisition. At the end of the first quarter, \$109.6 million was outstanding on total credit facilities of \$215.0 million. Debt to trailing 12-month cash flow was 1.3 times and includes \$27.5 million of deferred acquisition costs. Subsequent to the first quarter, the credit facilities were increased to \$375.0 million in conjunction with the April 2, 2007 acquisition.

Progress maintains a consistent price risk management program to mitigate price risk volatility and provide greater certainty of its revenue stream. For the winter of 2006/2007, the Trust had hedges on 40,000 gigajoule

("GJ") per day at a net floor price of \$9.02 per GJ. For the period from April 1, 2007 through October 31, 2007, Progress has hedged 40,000 GJ per day at a net floor price of \$7.04 per GJ.

New accounting treatment of financial instruments

On January 1, 2007 the Trust adopted the new accounting standards regarding the accounting for financial instruments. In addition to the adoption of the new standards, Management has elected not to use hedge accounting and therefore, records the fair value of its natural gas financial contracts at each reporting period with the change in the fair value being classified as unrealized gains or losses on the statement of earnings. Progress reported an unrealized loss on financial instruments of \$8.2 million in the first quarter.

Outlook

Progress expects 2007 production to average between 22,000 and 24,000 boe per day and to exit 2007 in the range of 24,000 to 26,000 boe per day. Capital investment for 2007, before acquisitions, is forecast at approximately \$140 million and includes the drilling of 65 to 75 net wells.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis ("MD&A") of financial results is dated April 25, 2007 and is to be read in conjunction with the accompanying unaudited consolidated interim financial statements and related notes for the period ended March 31, 2007 and the audited consolidated financial statements and related notes and MD&A of Progress Energy Trust ("Progress" or the "Trust") for the year ended December 31, 2006. The financial data presented has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting and the measurement currency is the Canadian dollar.

Non-GAAP Measurements Management uses cash flow from operations (before changes in non-cash working capital) ("cash flow") to analyze operating performance and leverage. Cash flow as presented does not have any standardized meaning prescribed by Canadian GAAP and therefore it may not be comparable with the calculation of similar measures for other entities. Cash flow as presented is not intended to represent operating profit for the period nor should it be viewed as an alternative to operating profit, net earnings or other measures of financial performance calculated in accordance with Canadian GAAP. The reconciliation between cash flow, as defined above, and cash flow from operations after changes in working capital for the periods ended March 31, 2007 and 2006 is as follows:

(\$ thousands)	Three Months Ended	
	2007	2006
Cash flow (as defined above)	53,080	47,637
Changes in non-cash working capital	(4,340)	2,698
Cash flow from operations after changes in working capital	48,740	50,335

Management considers cash flow to be a key measure as it demonstrates the Trust's ability to generate the cash necessary to pay distributions, repay debt and to fund future capital investments. Cash flow is used by research analysts to value and compare oil and gas trusts and is frequently included in published research when providing investment recommendations. Cash flow per unit is calculated using the diluted weighted average number of units for the period. All references to cash flow throughout the MD&A are based on cash flow before changes in non-cash working capital.

Management uses certain industry benchmarks such as operating netback and payout ratio to analyze financial and operating performance. These benchmarks as presented do not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures for other entities. Operating netback and payout ratio are used by research analysts to compare operating performance and a trust's ability to maintain current distributions. Operating netback is the net result of the Trust's revenue net of realized gains and losses on financial instruments, and royalty, operating and transportation expenses as found in the accompanying interim financial statements. The payout ratio, excluding exchangeable shares, is calculated as distributions for the period divided by the cash flow for the period as defined above. The payout ratio, including exchangeable shares, is calculated by adding the distributions that would have been paid on the weighted average trust units represented by the exchangeable shares to actual distributions paid divided by the cash flow as defined above.

Forward-Looking Statements Certain information regarding Progress set forth in this document, including Management's assessment of the Trust'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 the Trust's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency 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' 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 the Trust will derive there from.

Description of Business

Progress is an open-ended, unincorporated investment trust governed by the laws of the province of Alberta. The principal undertaking of the Trust is to indirectly explore for, develop and hold interests in petroleum and natural gas properties. Progress Energy Ltd., a wholly owned subsidiary of Progress, carries on the business of the Trust and directly owns the petroleum and natural gas properties and assets related thereto. The Trust's unitholders and exchangeable shareholders are the sole beneficiaries of the Trust. Under the Trust Indenture, the Trust may declare payable to unitholders all or any part of the income of the Trust which is primarily comprised of interest earned on debt notes issued to Progress Energy Ltd., as well as, amounts attributed to a net profits interest agreement entered into with Progress Energy Ltd. The aggregate amounts received by the Trust each period are based on the consolidated cash flow each period, as adjusted on a discretionary basis, for cash withheld to fund capital expenditures.

Progress is a Calgary based, natural gas focused, trust targeting sustainable production and reserves per trust unit through utilization of its technical capability and capital investment efficiencies. Primary operating regions include the Deep Basin of northwest Alberta and the northeast British Columbia Foothills and Fort St. John Plains regions. Trust units of Progress trade on the Toronto Stock Exchange ("TSX") under the symbol PGX.UN. Exchangeable shares and the 6.75 percent and 6.25 percent convertible unsecured subordinated debentures (the "Debentures") of Progress trade on the TSX under the symbols PGE, PGX.DB and PGX.DB.A, respectively.

Relationship with ProEx Energy Ltd.

The Trust provides personnel and certain administrative and technical services to ProEx Energy Ltd. ("ProEx") in connection with the management, development, exploitation and operation of the assets of ProEx and the marketing of its production. The Trust provides these services in accordance with the technical services agreement ("Technical Services Agreement") entered into with ProEx as described below.

The Trust and ProEx have joint interest in certain properties and undeveloped land in the northeast British Columbia Foothills and Fort St. John Plains regions. These joint interest properties are governed by standard industry agreements and in addition the Trust has entered into a protocol arrangement ("Protocol Arrangement") with ProEx that specifies how each company will manage the joint lands in specifically identified areas of interest. To ensure good governance practices, both the Trust and ProEx have each created independent committees of their Board of Directors to monitor compliance with the Technical Services Agreement and the Protocol Arrangement.

Technical Services Agreement The Technical Services Agreement has no set termination date and will continue until terminated by either party with one year prior written notice to the other party or some other date as mutually agreed. The Trust provides services including management, development, exploitation, operations, administrative, and marketing, as well as, information technology systems to ProEx on an expense reimbursement basis, based on ProEx's monthly capital activity and production levels relative to the combined capital activity and production levels of both the Trust and ProEx.

Protocol Arrangement The Protocol Arrangement identifies methods and processes to be followed on both existing and new lands, joint facilities, marketing, seismic and surface rights. The Protocol Arrangement also outlines the practices to be followed in the event either party enters into areas outside of the identified areas of interest.

OPERATING SUMMARY

In accordance with Canadian industry practice, production volumes, reserve volumes and revenues are reported on a Trust interest basis (working interest plus royalty interest), before deduction of Crown and other royalties, unless otherwise indicated. The Trust's results of operations are dependent on production volumes of natural gas,

crude oil and natural gas liquids and the prices received for this production. Prices for these commodities have shown significant volatility during recent years and are determined by supply and demand factors, including weather, general economic conditions and changes in the Canadian/United States (“U.S.”) currency exchange rate.

In this MD&A, production and reserves information may be presented on a “barrel of oil equivalent” or “boe” basis with six thousand cubic feet (“mcf”) of natural gas being equivalent to one barrel (“bbl”) of crude oil or natural gas liquids. Boe’s 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.

Production

	Three Months Ended March 31		Change
	2007	2006	
Average Daily Production			
Natural gas (<i>mcf/d</i>)	94,351	86,433	9%
Crude oil (<i>bbls/d</i>)	2,118	2,605	(19)%
Natural gas liquids (<i>bbls/d</i>)	1,379	1,390	(1)%
Total daily production (<i>boe/d</i>)	19,222	18,401	4%
Natural gas as a % of total production	82%	78%	

For the three months ended March 31, 2007 (the “Quarter”), Progress’ production averaged 19,222 boe per day consisting of 94,351 mcf per day of natural gas, 2,118 bbls per day of crude oil and 1,379 bbls per day of natural gas liquids. Production during the Quarter was four percent higher than the same period in 2006 of 18,401 boe per day as production additions offset production decline. Production was also higher than Management’s anticipated production of between 18,000 and 18,500 boe per day as a result of strong drilling results. The Trust’s production portfolio for the Quarter was weighted 82 percent to natural gas, 11 percent to crude oil and seven percent to natural gas liquids.

Natural gas production increased nine percent to 94,351 mcf per day for the Quarter compared to 86,433 mcf per day for the same period in 2006 due to successful drilling in the fourth quarter of 2006 and first quarter of 2007 in the northeast British Columbia Foothills, the Deep Basin of northwest Alberta and the Central Alberta regions. Crude oil and natural gas liquids production for the Quarter decreased 12 percent to 3,497 bbls per day compared to 3,995 bbls per day produced during the same period in 2006. The decrease is due to the natural gas focused drilling program, as well as, reduced production due to water source and regulatory challenges with the waterflood project in the Halfway ‘C’ oil pool at Gold Creek.

Management anticipates production to average between 24,000 to 26,000 boe per day for the remainder of 2007. This estimate includes the acquisitions that were completed and scheduled to be completed subsequent to the Quarter as described under Corporate Acquisition and Capital Expenditures below.

Production by Region

	Three Months Ended March 31		
	2007	2006	Change
Average Daily Production (boe/d)			
Foothills	4,149	3,712	12%
Fort St. John Plains	1,939	2,234	(13)%
Milo	365	422	(14)%
Total British Columbia	6,453	6,368	1%
Deep Basin	9,836	9,037	9%
Central Alberta	1,994	1,704	17%
Other	700	912	(23)%
Total Alberta	12,530	11,653	8%
Saskatchewan	239	380	(37)%
Total daily production	19,222	18,401	4%

Pricing

Natural Gas Markets

Progress realized natural gas price for the Quarter was \$7.87 per mcf (2006 - \$8.82 per mcf) compared to the AECO daily index average of \$7.02 per gigajoule (“gj”) (2006 - \$7.13 per gj). The higher realization reflects the higher heat content of Progress’ natural gas stream.

Although the winter season in North America has turned out to be warmer than normal, the arrival of the coldest February in 30 years helped to draw down natural gas storage levels from persistently high levels earlier in the winter. Natural gas storage levels remain high relative to historical levels, however supply concerns are growing. In Western Canada, a pullback in gas directed drilling activity has resulted in decreased natural gas production, and along with the growth in demand for natural gas by oil sands producers, will result in lower volumes of Canadian natural gas exported to the U.S. As well, persistently high service industry costs across North America are expected to lead to a slow down in natural gas directed drilling activity in the U.S. On the demand side, normal summer weather expectations, potential hurricane activity, growth in gas-fired electricity generation and growth in oil sands demand are expected to keep the supply-demand balance very tight.

There appears to be little on the immediate supply front to change the supply situation as both Canada and the U.S. continue to face steadily growing decline rates, smaller reserve sizes, lower productivity wells and a general slowdown in natural gas-directed drilling activity.

Oil Markets

Progress’ realized prices for its liquids streams for the Quarter were \$62.15 per bbl (2006 - \$64.45 per bbl) for crude oil and \$55.08 per bbl (2006 - \$62.86 per bbl) for natural gas liquids.

Crude oil prices were volatile through the Quarter. Demand growth remains strong, supply remains tight and inventory levels have undergone some sharp downward swings during the past two quarters. The U.S. has historically been considered the bellwether for crude oil and product inventories but supply concerns are assessed on a global basis given the relative growth of under-developed countries such as China. Several above ground forces including a shortage of oilfield equipment, personnel and political issues created by rising nationalism (i.e. Venezuela) are expected to remain in place for some time to come and will only add further volatility.

The global crude oil demand picture is ever evolving with a steady rotation toward transportation fuels and growth in under-developed economies. These shifting tides are likely to underpin the demand for light sweet

crude streams like West Texas Intermediate and weigh upon heavier grades of crude. Progress' crude oil production is made up predominately of light crude and does not include any heavy oil.

Commodity Prices

	Three Months Ended March 31		
	2007	2006	Change
Average Benchmark Prices			
Natural gas – AECO (daily) (\$/gj)	7.02	7.13	(2)%
Natural gas – AECO (monthly) (\$/gj)	7.07	8.79	(20)%
Crude oil – WTI (US\$/bbl)	57.83	63.48	(9)%
Crude oil – Edmonton par price (Cdn\$/bbl)	67.14	69.00	(3)%
Exchange rate (US\$/Cdn\$)	1.1716	1.1545	1%
Average Realized Prices			
Natural gas (\$/mcf) ¹	7.87	8.82	(11)%
Crude oil (\$/bbl)	62.15	64.45	(4)%
Natural gas liquids (\$/bbl)	55.08	62.86	(12)%

(1) Includes \$0.02 per mcf for the amortization of the physical natural gas sales contract acquired in conjunction with the acquisition of Campion Resources Ltd. on June 3, 2002. Contract expires in 2008.

Risk Management – Financial Instruments

The Trust has entered into several natural gas financial contracts for the purpose of protecting its cash flow from the volatility of natural gas prices. For the Quarter, the Trust's natural gas price risk management program had a net realized gain of \$7.0 million (2006 - \$0.6 million net loss).

On January 1, 2007 the Trust adopted the new accounting standards regarding the accounting for financial instruments. In addition to the adoption of the new standards, Management has elected not to use hedge accounting and therefore, records the fair value of its natural gas financial contracts at each reporting period with the change in the fair value being classified as unrealized gains or losses on the statement of earnings. The accounting for hedging relationships for prior fiscal periods are not retroactively changed, therefore, there was no restatement of the financial position or results of operation as at and for the three months ended March 31, 2006.

On adoption, the Trust recognized a current asset of \$15.6 million for the fair value of its natural gas derivative contracts with a corresponding increase to the future income tax liability and accumulated other comprehensive income of \$5.1 million and \$10.5 million, respectively. The \$10.5 million in accumulated other comprehensive income will be amortized through other comprehensive income and unrealized gain or loss on the statement of earnings over the term of the contracts. For the Quarter, \$6.3 million, net of tax was amortized through other comprehensive income with a corresponding pre-tax unrealized gain of \$9.4 million and a charge to future income tax expense of \$3.1 million.

At March 31, 2007 the fair value of the natural gas financial contracts was a liability of \$2.0 million. The decrease in value from January 1, 2007 to March 31, 2007 of \$17.6 million was due to the increase in forward natural gas prices from the date of adoption and the expiration of three months of its current financial contracts. As a result, for the Quarter, the Trust had a net unrealized loss on its natural gas derivative contracts of \$17.6 million, partially offset by the 9.4 million amortized gain from the adoption of the standards on January 1, 2007, for a net unrealized loss of \$8.2 million.

The Trust's risk management activities are conducted pursuant to the Trust's Risk Management Policy approved by the Board of Directors. Progress uses financial derivative instruments designed to establish a minimum floor price while retaining exposure to upside price movements. The Risk Management Policy has the following objectives:

- To reduce risk exposure to budgeted annual cash flow projections resulting from uncertainty or changes in commodity prices, interest rates or foreign exchange.
- To provide greater certainty and stability to monthly distributions.
- To limit the permissible structures to ensure hedging effectiveness.
- To limit hedging up to a maximum of 50 percent of budgeted production before royalties.
- To limit hedging activity to counter-parties that provide sufficient collateral in support of payment or have investment grade credit ratings.

Progress' commodity risk management positions are described in Note 10 in the unaudited interim consolidated financial statements. The Trust currently has natural gas instruments in place which consist of swap and call spread contracts, for the following production volumes:

	Contract Natural Gas Volumes (^{'000} gj/d)	% of Estimated Natural Gas Production
Second quarter of 2007	40.0	30 ⁽¹⁾
Third quarter of 2007	40.0	30 ⁽¹⁾

(1) Reflects the added production from the acquisitions described in the Corporate Acquisition and Capital Expenditures sections below.

Revenue

For the Quarter, petroleum and natural gas revenue decreased seven percent to \$85.5 million from \$91.6 million for the same period in 2006 due to lower commodity prices, as well as lower crude oil and natural gas liquids production. Production revenue for the Quarter consisted of \$66.7 million from natural gas sales, \$11.8 million from crude oil sales and \$6.8 million from the sale of natural gas liquids.

(\$ thousands)	Three Months Ended March 31		
	2007	2006	Change
Natural gas sales	66,663	68,445	(3)%
Crude oil sales	11,847	15,112	(22)%
Natural gas liquids sales	6,836	7,864	(13)%
Amortization of commodity sales contract ¹	131	147	(11)%
Petroleum and natural gas revenue	85,477	91,568	(7)%

(1) Amortization of physical natural gas sales contract acquired in conjunction with the acquisition of Campion Resources Ltd. on June 3, 2002. Contract expires in 2008.

(\$ thousands)	Crude Oil & NGLs		Total
	Natural Gas		
Three months ended March 31, 2006 petroleum and natural gas revenue	68,592	22,976	91,568
Price variance	(8,082)	(1,429)	(9,511)
Production variance	6,284	(2,864)	3,420
Three months ended March 31, 2007 petroleum and natural gas revenue	66,794	18,683	85,477

Royalties

Royalty expense consists of royalties paid to provincial governments, freehold landowners and overriding royalty owners. Effective for 2007, the Alberta government eliminated the Alberta royalty tax credit program. The impact to Progress was an increase to royalty expense for the Quarter of approximately \$0.1 million.

For the Quarter, royalties decreased 18 percent to \$20.2 million from \$24.6 million for the same period in 2006 due to lower commodity prices and lower production from wells with overriding royalties. The Trust's average royalty rate for the Quarter was 23.6 percent compared to 26.9 percent in 2006.

Management anticipates, based on current commodity prices, the average royalty rate for the remainder of 2007 will be approximately 24.5 percent of petroleum and natural gas revenue.

Operating Expenses

Operating expenses during the Quarter increased 15 percent to \$11.0 million from \$9.6 million for the same period in 2006. The increase is the result of higher production in the Quarter compared to the same period in 2006, as well as more repair, maintenance and downhole work performed and higher costs related to the Gold Creek Halfway unit. On a boe basis, operating expenses for the Quarter increased 10 percent to \$6.38 from \$5.81 in the same period in 2006. Progress has experienced increased costs for well servicing, insurance, workovers and well maintenance. Through increased operating efficiencies, relationships with suppliers and the addition of low operating cost per boe production, the Trust has been able to offset a large portion of these increases and keep operating costs per boe low.

Management anticipates operating expense for the remainder of 2007 will be consistent with the Quarter and average between \$6.00 to \$6.50 per boe.

Transportation Expenses

Transportation expenses for the Quarter decreased 12 percent to \$2.8 million compared to \$3.2 million for the same period in 2006. The decrease is due to reduced tolls negotiated with Duke Energy in mid-2006, as well as lower oil production in 2007 which incurs higher transportation costs. On a boe basis, transportation expenses during the Quarter decreased 16 percent to \$1.60 compared to \$1.91 for the same period in 2006. 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.

Operating Netbacks

Although many wells produce both crude oil and natural gas, a well is categorized as a natural gas well or an oil well based upon the higher proportion of natural gas or crude oil production. The following table summarizes the operating netbacks for natural gas and oil properties for the three months ended March 31, 2007 compared to the same period in 2006:

	Three Months Ended March 31	
	2007	2006
Natural Gas Properties (\$/mcf)		
Sales price	7.99	8.99
Amortization of commodity sales contract	0.01	0.02
Realized gain/(loss) on financial instruments	0.77	(0.07)
Royalties	(1.91)	(2.51)
Operating expenses	(0.97)	(0.87)
Transportation expenses	(0.26)	(0.31)
Operating netback – natural gas properties	5.63	5.25
Oil Properties (\$/bbl)		
Sales Price	59.23	62.41
Royalties	(13.04)	(13.81)
Operating expenses	(10.57)	(9.20)
Transportation expenses	(1.99)	(2.06)
Operating netback – oil properties	33.63	37.34
All Properties (\$/boe)		
Sales Price	49.33	55.20
Amortization of commodity sales contract	0.08	0.09
Realized gain/(loss) on financial instruments	4.04	(0.37)
Royalties	(11.67)	(14.87)
Operating expenses	(6.38)	(5.81)
Transportation expenses	(1.60)	(1.91)
Operating netback – all properties	33.80	32.33

General and Administrative Expenses

For the Quarter, general and administrative expenses net of overhead recoveries, (“G&A”) were \$2.0 million (\$1.14 per boe) compared to \$1.8 million for the same period in 2006 (\$1.08 per boe). The increase in G&A for the Quarter is due to lower overhead recoveries in the Quarter compared to the same period in 2006.

In accordance with the Technical Services Agreement with ProEx, the Trust provides personnel and certain administrative and technical services in connection with the management, development, exploitation and operation of the assets of ProEx and the marketing of its production. The Trust provides these services to ProEx on an expense reimbursement basis, based on ProEx’s monthly capital activity and production levels relative to the combined capital activity and production levels of both the Trust and ProEx. Total expenses reimbursed by ProEx for the Quarter were \$1.4 million (2006 - \$1.1 million).

The Trust capitalized approximately \$0.2 million of G&A during the Quarter (2006 - \$0.3 million). The majority of these costs represent geological and geophysical salaries.

Management anticipates G&A expenses to average in the range of \$1.00 to \$1.10 per boe for the remainder of 2007.

Unit Based Compensation Expenses

For the Quarter, unit based compensation expenses relating to the performance unit incentive plan increased 48 percent to \$1.5 million (\$0.86 per boe) compared to \$1.0 million (\$0.61 per boe) for the same period in 2006. The increase is due to the performance units granted effective July 2, 2006. The Progress performance unit plan provides for employees and directors to be granted performance units which vest at the end of a three year performance period at which time they will be converted to trust units, or the cash equivalent, and include the accumulated distributions over the three year period. The actual number of trust units paid is dependent upon a performance factor that is determined based on the Trust's performance relative to its peers and ranges from 0.5 to 1.5 times the initial grant. Payment may be in the form of cash or trust units, at the Trust's option. Management anticipates, at the end of the performance period, accumulated distributions will be paid in cash and trust units will be paid from treasury. As at March 31, 2007 the total performance units outstanding amounted to two percent of the total outstanding trust units and units which may be issued on the exchange of exchangeable shares.

	Three Months Ended March 31	
	2007	2006
Performance Units		
Balance, beginning of period	1,300,717	899,567
Granted	11,350	10,500
Forfeited	(4,750)	(2,400)
Balance, end of period	1,307,317	907,667
Vesting Date		
July 2, 2007	381,367	386,867
July 2, 2008	510,700	520,800
July 2, 2009	415,250	-
Total	1,307,317	907,667

Management anticipates unit based compensation expenses for the remainder of 2007 to average approximately \$0.95 per boe.

Interest and Financing Expenses

Interest and financing expenses during the Quarter increased 58 percent to \$3.8 million compared to \$2.4 million for the same period in 2006. The decrease in Debenture interest in 2007 is due to Debenture conversions in 2006.

(\$ thousands)	Three Months Ended March 31	
	2007	2006
Interest on bank debt	1,060	922
Interest on Debentures	2,090	1,191
Amortization of Debenture issue costs	279	138
Accretion on debt portion of Debentures ¹	357	145
Total interest and financing expense	3,786	2,396

(1) Under Canadian GAAP, the fair value of the conversion feature of the Debentures is classified as equity and the remainder is classified as debt. Over the term of the Debentures, the debt portion will accrete up to the principal balance at maturity with the charge going to interest and financing expenses.

As a result of the acquisitions described under the Corporate Acquisition and Capital Expenditures sections below, Management anticipates interest on bank debt to increase approximately \$4.0 million per quarter for the remainder of 2007.

Depletion, Depreciation and Accretion

For the Quarter, depletion and depreciation of property, plant and equipment and the accretion of the asset retirement obligations (“DD&A”) increased nine percent to \$25.8 million compared to \$23.6 million for the same period in 2006. The increase is due to a higher depletable base in the Quarter compared to the same period in 2006. On a boe basis, DD&A for the Quarter was \$14.91 compared to \$14.27 for the same period in 2006.

Income and Capital Taxes

Capital taxes for the Quarter decreased 87 percent to \$0.1 million compared to \$0.3 million for the same period in 2006. The decrease is due to the federal budget passed in June of 2006 which eliminated the large corporation tax effective for the 2006 taxation year.

The provision for future income taxes for the Quarter was a recovery of \$2.0 million compared to a recovery of \$0.9 million in same period in 2006. The higher recovery in the Quarter is due to lower earnings before taxes as a result of the unrealized loss on financial instruments recognized in the Quarter. The Trust is a taxable entity under the Income Tax Act (Canada) and is taxable only on income that is not distributed or distributable to the unitholders. As the Trust distributes all of its taxable income to unitholders, no provision for income taxes has been made for the Trust. The federal government has proposed new rules for the taxation of trusts as outlined below. The future income tax liability on the consolidated balance sheet represents the future income tax liability of the Trust’s subsidiary.

On October 31, 2006 the federal government announced its intention to begin taxing distributions from trusts beginning January 1, 2011. The government has also proposed to limit the growth of existing trusts by limiting new equity issues to 40 percent of that trust’s October 31, 2006 market capitalization (“benchmark”) for 2007, and an additional 20 percent of the benchmark for each of 2008, 2009 and 2010. For Progress, the growth limits would be \$476.8 million for 2007 (less \$252.0 million as a result of the equity offering described under Corporate Acquisition below) and \$238.4 million for each of 2008, 2009 and 2010 with any unused amount rolling forward to the next year. The government also announced its intention to allow trust to corporation conversions to be on a tax-deferred basis (no immediate tax impact) for unitholders. Given these proposed rules have not been substantially enacted into law, there has been no adjustment to future income taxes in regards to this announcement. The Trust is currently monitoring the status of this proposed legislation and assessing its options should it pass into law.

Non-Controlling Interest - Exchangeable Shares

The exchangeable shares of the Trust's subsidiary trade on the TSX, thereby allowing holders of the exchangeable shares to dispose of them without having to exchange them for trust units and consequently, they must be classified as non-controlling interest outside of unitholders' equity. The net earnings attributable to the exchangeable shares is charged to the consolidated statement of earnings as non-controlling interest expense with a corresponding increase to non-controlling interest on the consolidated balance sheet.

	Three Months Ended March 31			
	2007		2006	
<i>(\$ thousands, except unit amounts)</i>	Number	Amount	Number	Amount
Exchangeable Shares				
Balance, beginning of period	9,642,540	122,592	11,388,751	127,205
Exchanged for trust units	(256,866)	(3,266)	(1,242,992)	(14,145)
Non-controlling interest expense		2,741		3,921
Balance, end of period	9,385,674	122,067	10,145,759	116,981

The charge to net earnings of \$2.7 million for 2007 and \$3.9 million for 2006 represents the net earnings attributable to the exchangeable shares over the period.

Net Earnings, Comprehensive Income and Cash Flow

Net earnings decreased 23 percent to \$16.4 million for the Quarter compared to \$21.4 million during the same period in 2006 due primarily to the unrealized loss on financial instruments recognized in 2007, as well as higher expenses incurred in the Quarter. Basic and diluted net earnings for the Quarter were \$0.22 per unit compared to \$0.29 per unit basic and diluted for the same period in 2006.

Other comprehensive income for the Quarter included a charge of \$6.3 million (2006 – nil) relating to the amortization of the amount recognized in accumulated other comprehensive income on January 1, 2007 for the fair value of financial instruments on adoption of the new accounting standards for financial instruments (refer to Risk Management above). This resulted in total comprehensive income of \$10.1 million for the Quarter (2006 - \$21.4 million).

Cash flow for the Quarter increased 11 percent to \$53.1 million compared to the same period in 2006 of \$47.6 million due to a higher realized gain on financial instruments. Diluted cash flow for the Quarter was \$0.60 per unit compared to \$0.55 per unit during the same period in 2006.

Quarterly Financial Summary ^{1,2}

(\$ thousands, except per unit amounts)	Three Months Ended							
	Mar 31 2007	Dec 31 2006	Sept 30 2006	June 30 2006	Mar 31 2006	Dec 31 2005	Sept 30 2005	June 30 2005
Petroleum and natural gas revenue	85,477	75,182	72,328	71,439	91,568	120,628	95,163	83,309
Cash flow	53,080	49,603	47,218	45,871	47,637	65,785	53,215	44,466
Per unit diluted	0.60	0.56	0.54	0.52	0.55	0.77	0.63	0.53
Net earnings	16,425	21,538	20,252	28,425	21,383	29,398	25,159	16,840
Per unit basic	0.22	0.29	0.27	0.38	0.29	0.41	0.36	0.25
Per unit diluted	0.22	0.28	0.27	0.38	0.29	0.40	0.36	0.24

- (1) Certain amounts above have been adjusted to conform to the presentation adopted in 2007 as a result of the adoption of the new accounting standards for financial instruments.
- (2) Petroleum and natural gas revenue and cash flow increased in the third and fourth quarter of 2005 due to higher commodity prices. Petroleum and natural gas revenue and cash flow for the first, second and third quarters of 2006 decreased as a result of lower natural gas prices. Petroleum and natural gas revenue and cash flow for the fourth quarter of 2006 and the first quarter of 2007 increased slightly due to strengthening natural gas prices. Net earnings for the first quarter of 2007 decreased due to an \$8.2 million unrealized loss on financial instruments as a result of adopting the new accounting standards for financial instruments and electing not to use hedge accounting.

Distributions

Management monitors the Trust's distribution payout policy with respect to forecasted net cash flow, debt levels and capital expenditures. Starting in January 2007, the Trust reduced its monthly distributions from \$0.14 per trust unit to \$0.10 per trust unit due to a reduction in forecasted 2007 cash flow as a result of the then current weakness in natural gas prices. The distribution reduction reinforces Progress' commitment to sustainability. Progress defines sustainability as maintaining production and reserves per trust unit over an extended period of time. Progress' sustainability objective is to annually retain sufficient cash flow to replace reserves produced. As a result, \$24.8 million was distributed in the Quarter compared to \$30.8 million for the same period in 2006. Included in the distributions for the Quarter was \$2.1 million payable to subscription receipt holders of record at March 31, 2007 as described in the liquidity and capital resources section below. The Trust distributed 47 percent of its cash flow to unitholders for the Quarter (54 percent including exchangeable shares) compared to 65 percent (76 percent including exchangeable shares) for the same period in 2006. Exchangeable shares are convertible into trust units of the Trust based on the exchange ratio, which is adjusted monthly to reflect that distributions are not paid on the exchangeable shares and cash flow related to the exchangeable shares is retained by the Trust for additional capital expenditures or debt repayment. The key drivers of Progress' cash flow, as is generally the case with other energy trusts, are commodity prices and production. Since the Trust's production is heavily weighted to natural gas (82 percent in the Quarter), natural gas prices have a significant effect on its cash flow.

Corporate Acquisition

On April 2, 2007, Progress acquired all of the issued and outstanding shares of a private company for \$526.0 million, prior to closing adjustments, net of certain assets retained by the vendor. In conjunction with the acquisition, on April 2, 2007, Progress disposed of certain assets of the private company to ProEx for \$134.3 million. The resulting net cash consideration of \$391.7 million was financed by the issuance of 21.0 million trust units at a price of \$12.00 per trust unit for proceeds of \$252.0 million (\$238.6 million net of issue costs) and through increased bank debt. Costs incurred prior to March 31, 2007 of \$27.5 million relating to the acquisition and financing have been classified on the balance sheet as deferred acquisition. On closing, the costs will be classified to property, plant and equipment and unit issue costs.

The acquisition includes 6,400 boe per day of production, 95 percent natural gas and approximately 240,000 net acres of undeveloped land.

Capital Expenditures

During the Quarter, the Trust invested \$43.6 million in capital expenditures compared to \$36.0 million in the same period in 2006.

(\$ thousands)	Three Months Ended	
	March 31	
	2007	2006
Land acquisitions and retention	2,875	2,840
Geological and geophysical	1,934	2,002
Drilling and completions	27,819	22,412
Equipping and facilities	10,714	8,397
Net property acquisitions (dispositions)	217	298
Corporate assets	42	36
Total capital expenditures	43,601	35,985

During the Quarter, Progress drilled 29 gross wells (13.1 net) with an 89 percent success rate. The program yielded 25 natural gas wells (11.7 net), including 11 gross wells (8.5 net) drilled in the Deep Basin region of northwest Alberta and 14 gross (3.2 net) drilled in the northeast British Columbia Foothills region.

During the Quarter, Progress added over 12,000 net acres of land in established fairways in the Foothills and Deep Basin regions. Land acquisition will continue along mapped or seismically identified trends as Progress strengthens its position as a dominant player in its operating regions. In total, Progress controls approximately 356,000 net acres of undeveloped land.

Subsequent to the Quarter, on April 12, 2007, Progress entered into an agreement to acquire certain petroleum and natural gas assets from a major producer in the Wapiti area for approximately \$39.8 million, net of final closing adjustments. The acquisition adds approximately 800 boe per day of production, 1.54 million boe of proved plus probable reserves and 31,000 net undeveloped acres of land with varying working interests which will create further opportunities to consolidate working interests within the region. A map showing the acquired lands is available on Progress' website at www.progressenergy.com. Progress believes there is substantial upside opportunities on the acquired lands which are contiguous with the Trust's Gold Creek property. The acquisition also adds ownership in infrastructure which is strategic to Progress' area of expansion plans. A portion of the lands and infrastructure being acquired are subject to a right-of-first-refusal which could be exercised before closing of the acquisition that is scheduled to close on May 31, 2007.

The Trust's remaining 2007 capital investment program will continue to be directed to the three focus regions of the Deep Basin in northwest Alberta and the Fort St. John Plains and Foothills of northeast British Columbia. The total 2007 capital program, before acquisitions, was increased to \$140.0 million in conjunction with the April 2, 2007 corporate acquisition described above.

Liquidity and Capital Resources

<i>(\$ thousands, except per unit amounts)</i>	March 31 2007	December 31 2006
Working capital deficiency	22,161	13,959
Bank debt	109,598	75,000
Convertible debentures	120,241	119,605
Total debt	252,000	208,564
Units outstanding and issuable for exchangeable shares (thousands)	88,464	88,114
Market price per unit at end of period	13.07	12.57
Market value of trust units and exchangeable shares	1,156,224	1,107,593
Cash flow (12 month trailing)	195,772	190,329
Total debt to cash flow ratio	1.29	1.10

At March 31, 2007 the Trust had \$109.6 million outstanding on its credit facilities, \$120.2 million for the debt portion of the 6.75 percent and 6.25 percent convertible unsecured subordinated debentures (the “Debentures”) and a working capital deficiency of \$22.2 million, totaling \$252.0 million of total debt.

At March 31, 2007 the Trust’s credit facilities consisted of a \$200 million extendible revolving term credit facility and a \$15 million working capital credit facility with a syndicate of banks. Subsequent to March 31, 2007, in conjunction with the acquisition described in Corporate Acquisition above, the Trust increased its extendible revolving term credit facility to \$340 million and increased its working capital facility to \$35 million resulting in total credit facilities of \$375 million. The facilities are available on a revolving basis for a period of at least 364 days until May 27, 2008, and such initial term out date may be extended for further 364 day periods at the request of the Trust, 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 \$1 billion fixed and floating charge debenture on the assets of the Trust and by a guarantee and subordination provided by Progress in respect of the Trust’s obligations. The \$375 million borrowing base is subject to semi-annual review by the banks.

At March 31, 2007 the Trust had outstanding \$55.7 million principal amount of the 6.75 percent debentures and \$75.0 million principal amount of the 6.25 percent debentures for a combined total of \$130.7 million. Both the 6.75 percent debentures and the 6.25 percent debentures pay interest semi-annually and are convertible at the option of the holder at any time into fully paid trust units at a conversion price of \$15.00 per trust unit and \$19.50 per trust unit, respectively. The 6.75 percent debentures mature on June 30, 2010 and the 6.25 percent debentures mature on September 30, 2011 at which time they are due and payable.

The Debentures have been classified as debt net of the fair value of the conversion feature which has been classified as part of unitholders’ equity and net of issue costs. At March 31, 2007 the debt portion was \$120.2 million net of unamortized issue costs. Issue costs are amortized over the term of the Debentures and the debt portion will accrete up to the principal balance at maturity. The accretion, amortization of issue costs and the interest paid are expensed with interest and financing expense on the consolidated statements of earnings.

Bank debt increased from \$75.0 million as at December 31, 2006 to \$109.6 million as at March 31, 2007 due to deferred acquisition costs incurred of \$27.5 million, as well as higher capital spending in the Quarter. The working capital deficiency of \$22.2 million at March 31, 2007 is higher than the December 31, 2006 deficiency of \$14.0 million, primarily due to a lower cash balance at the end of the Quarter.

On April 2, 2007 Progress purchased all of the issued and outstanding shares of a private company (refer to Corporate Acquisition above). The net cash consideration of \$391.7 million, prior to closing adjustments was financed by the issuance of 21.0 million trust units at a price of \$12.00 per trust unit for proceeds of \$252.0 million (\$238.6 million net of issue costs) and through increased bank debt.

As at March 31, 2007 there were 21.0 million subscription receipts outstanding related to the above equity issue. The subscription receipts entitle the holder to one trust unit of Progress for each subscription receipt upon closing of the corporate acquisition, as well as the March 2007 distribution. The proceeds from the sale of subscription receipts were held in escrow pending completion of the acquisition.

Outstanding as at April 24, 2007 were 96,798,946 trust units, 9,385,674 exchangeable shares and \$130.7 million of Debentures convertible into 7,561,287 trust units.

The Trust's investing activities in the Quarter primarily consisted of expenditures on its capital program, as well as the deferred acquisition described above. The corporate acquisition completed on April 2, 2007 was funded by an equity offering and bank debt. Management anticipates that the Trust will continue to have adequate liquidity to fund future working capital and forecasted capital expenditures during 2007, including the asset purchase in the Deep Basin region of northwest Alberta described above, through a combination of cash flow and debt. Cash flow used to finance these commitments may reduce the amount of cash distributions paid to unitholders.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Trust is accumulated and communicated to the Trust's Management, as appropriate, to allow timely decisions regarding required disclosures. The Trust's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the interim filings that the Trust's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the issuer, is made known to them by others within the Trust. It should be noted that while the Trust's Chief Executive Officer and Chief Financial Officer believe that the Trust's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system is met.

Additional Information

Additional information regarding the Trust and its business and operations, including the annual information form ("AIF") is available on the Trust's company profiles at www.sedar.com. Copies of the AIF can also be obtained by contacting the Trust at Progress Energy Trust 1200, 205 – 5th Avenue S.W., Calgary, Alberta, Canada T2P 2V7 or by e-mail at ir@progressenergy.com. This information is also accessible on the Trust's web site at www.progressenergy.com.

OUTLOOK

We remain firmly focused on our goal of maintaining or modestly growing reserves and production on a per unit basis. Our sustainability strategy to-date has been achieved entirely through the drill bit at industry leading efficiencies while maintaining our financial strength. We have often stated that we have investment choices and therefore could remain patient for the right opportunity as it related to acquisitions. Our second quarter acquisitions have further strengthened our sustainability strategy by expanding our development inventory while providing an appropriate exposure to exploration upside within our existing core regions.

We are targeting 2007 average annual production in the range of 22,000 to 24,000 boe per day with exit production in the range of 24,000 to 26,000 boe per day. Our exploration and development capital investment program has been expanded by \$30 million to \$140 million and includes the drilling of approximately 65 to 75 net wells.

On the commodity front, natural gas prices have remained relatively strong as summer weather, potential hurricane activity and potential natural gas supply weakness have positively impacted market expectations. We continue to use financial instruments to mitigate commodity price risk and are currently examining opportunities to hedge a portion of winter 2007/2008 production.

Our opportunity inventory is more visible than at any point in our history and we are in the enviable position of having many investment choices. Our tax pool coverage is expected to provide further sheltering beyond the 2011 time when the taxation of income trusts is anticipated to occur. We remain aligned with our unitholders through an approximate 11 percent ownership of the units and exchangeable shares of Progress by employees, management and directors.

On behalf of the Board of Directors,

(Signed) "Michael R. Culbert"

Michael R. Culbert
President & CEO
April 25, 2007

PROGRESS ENERGY TRUST

CONSOLIDATED BALANCE SHEETS

<i>(\$ thousands)</i>	March 31 2007	December 31 2006
	<i>(Unaudited)</i>	
ASSETS		
Current		
Cash and short-term investments	-	8,265
Accounts receivable	36,704	35,555
Prepaid expenses and deposits	7,815	7,798
	44,519	51,618
Deferred acquisition <i>(Note 11)</i>	27,448	-
Property, plant and equipment <i>(Note 3)</i>	764,406	744,431
Goodwill	414,655	414,655
	1,251,028	1,210,704
LIABILITIES		
Current		
Accounts payable and accrued liabilities	51,787	49,820
Cash distributions payable	9,680	10,564
Current income taxes payable	5,213	5,193
Fair value of financial instruments <i>(Notes 2 and 10)</i>	1,999	-
	68,679	65,577
Bank debt <i>(Note 4)</i>	109,598	75,000
Convertible debentures <i>(Note 5)</i>	120,241	119,605
Commodity sales contract <i>(Note 10)</i>	745	876
Asset retirement obligations <i>(Note 6)</i>	25,056	24,148
Future income taxes	114,733	114,367
	439,052	399,573
NON-CONTROLLING INTEREST		
Exchangeable shares <i>(Note 7)</i>	122,067	122,592
UNITHOLDERS' EQUITY		
Unitholders' capital <i>(Note 8)</i>	743,841	739,998
Convertible debentures <i>(Note 5)</i>	7,702	7,702
Contributed surplus <i>(Note 8)</i>	10,934	9,210
Accumulated other comprehensive income <i>(Notes 2 and 8)</i>	4,209	-
Deficit	(76,777)	(68,371)
	689,909	688,539
Subsequent events <i>(Note 11)</i>		
	1,251,028	1,210,704

See accompanying notes to the consolidated financial statements

PROGRESS ENERGY TRUST
CONSOLIDATED STATEMENTS OF EARNINGS, COMPREHENSIVE INCOME AND DEFICIT
(Unaudited)

	Three Months Ended March 31	
<i>(\$ thousands, except per unit amounts)</i>	2007	2006
REVENUE		
Petroleum and natural gas	85,477	91,568
Royalties	(20,189)	(24,619)
	65,288	66,949
Realized gain/(loss) on financial instruments <i>(Notes 2 and 10)</i>	6,995	(609)
Unrealized loss on financial instruments <i>(Notes 2 and 10)</i>	(8,232)	-
	64,051	66,340
EXPENSES		
Operating	11,041	9,628
Transportation	2,770	3,161
General and administrative	1,967	1,788
Unit based compensation	1,486	1,007
Interest and financing	3,786	2,396
Depletion, depreciation and accretion	25,793	23,643
	46,843	41,623
Earnings before taxes and non-controlling interest	17,208	24,717
TAXES		
Capital taxes	45	339
Future income taxes	(2,003)	(926)
	(1,958)	(587)
Net earnings before non-controlling interest	19,166	25,304
Non-controlling interest – exchangeable shares <i>(Note 7)</i>	(2,741)	(3,921)
NET EARNINGS	16,425	21,383
OTHER COMPREHENSIVE INCOME		
Amortization of fair value of financial instruments <i>(Notes 2 and 8)</i>	(6,334)	-
COMPREHENSIVE INCOME	10,091	21,383
Deficit, beginning of period	(68,371)	(34,406)
Distributions	(24,831)	(30,836)
Deficit, end of period	(76,777)	(43,859)
NET EARNINGS PER UNIT <i>(Note 8)</i>		
Basic	\$0.22	\$0.29
Diluted	\$0.22	\$0.29

See accompanying notes to the consolidated financial statements

PROGRESS ENERGY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31	
<i>(\$ thousands)</i>	2007	2006
OPERATING ACTIVITIES		
Net earnings	16,425	21,383
Unrealized loss on financial instruments <i>(Notes 2 and 10)</i>	8,232	-
Depletion, depreciation and accretion	25,793	23,643
Non-controlling interest – exchangeable shares <i>(Note 7)</i>	2,741	3,921
Convertible debentures accretion <i>(Note 5)</i>	357	145
Amortization of convertible debenture issue costs <i>(Note 5)</i>	279	138
Amortization of commodity sales contract	(131)	(147)
Unit based compensation expense <i>(Note 8)</i>	1,486	1,007
Asset retirement expenditures <i>(Note 6)</i>	(99)	(1,527)
Future income taxes	(2,003)	(926)
	53,080	47,637
Changes in non-cash working capital <i>(Note 9)</i>	(4,340)	2,698
	48,740	50,335
FINANCING ACTIVITIES		
Increase in bank debt	34,598	23,674
Cash distributions	(25,715)	(30,414)
Changes in non-cash working capital <i>(Note 9)</i>	850	-
	9,733	(6,740)
INVESTING ACTIVITIES		
Deferred acquisition <i>(Note 11)</i>	(27,448)	-
Capital expenditures	(43,601)	(35,984)
Changes in non-cash working capital <i>(Note 9)</i>	4,311	(4,057)
	(66,738)	(40,041)
CHANGE IN CASH AND SHORT-TERM INVESTMENTS	(8,265)	3,554
Cash and short-term investments, beginning of period	8,265	-
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	-	3,554

See accompanying notes to the consolidated financial statements

PROGRESS ENERGY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) (tabular amounts are in \$ thousands except for trust units and per trust unit amounts)

Progress Energy Trust (“Progress” or the “Trust”) is an open-ended, unincorporated investment trust governed by the laws of the province of Alberta. The principal undertaking of the Trust is to indirectly explore for, develop and hold interests in petroleum and natural gas properties through investments in securities of subsidiaries and royalty interests in petroleum and natural gas properties. Progress Energy Ltd. carries on the business of the Trust and directly owns the petroleum and natural gas properties and assets related thereto. The Trust owns, directly and indirectly, 100 percent of the common shares (excluding the exchangeable shares – see note 7) of Progress Energy Ltd. The activities of Progress Energy Ltd. are financed through interest bearing notes from the Trust and third party debt. The convertible debentures are direct obligations of the Trust. Under the Trust Indenture, the Trust may declare payable to unitholders all or any part of the income of the Trust, which is primarily comprised of interest earned on debt notes issued to Progress Energy Ltd., as well as, amounts attributed to a net profits interest (“NPI”) agreement entered into with Progress Energy Ltd. The aggregate amounts received by the Trust each period are based on the consolidated cash flow from operations before changes in non-cash working capital each period, as adjusted on a discretionary basis, for cash withheld to fund capital expenditures.

Pursuant to the terms of the NPI agreement, the Trust is entitled to a payment from Progress Energy Ltd. each month equal to the amount by which 99% of the gross proceeds from the sale of production exceed 99% of certain deductible expenditures (as defined). Under the terms of the NPI agreement, deductible expenditures may include amounts, determined on a discretionary basis, to fund capital expenditures, to repay third party debt and to provide for working capital required to carry out the operations of Progress Energy Ltd.

Relationship with ProEx Energy Ltd.

A technical services agreement (“Technical Service Agreement”) is currently in place between the Trust and ProEx Energy Ltd. (“ProEx”) whereby the Trust provides personnel and certain administrative and technical services in connection with the management, development, exploitation and operation of the assets of ProEx and the marketing of its production. ProEx has granted performance shares to the employees of Progress as service providers. The Trust provides these services to ProEx on an expense reimbursement basis, based on ProEx’s monthly capital activity and production levels relative to the combined capital activity and production levels of both the Trust and ProEx. Total expense reimbursed by ProEx for the three months ended March 31, 2007 was \$1.2 million (2006 – \$1.1 million).

As at March 31, 2007, accounts payable included \$2.6 million (2006 – \$0.2 million) payable to ProEx which includes standard joint venture amounts including revenue. These amounts were paid subsequent to March 31, 2007.

On April 2, 2007, Progress disposed of certain assets to ProEx for \$134.3 million, which is described in note 11.

1. SUMMARY OF ACCOUNTING POLICIES

The interim consolidated financial statements of the Trust have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Trust for the year ended December 31, 2006, except for the change described in note 2. 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 Trust's annual report for the year ended December 31, 2006.

Progress 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 Trust and its wholly owned subsidiary. The consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

The preparation of financial statements in conformity with Canadian GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

2. CHANGE IN ACCOUNTING POLICY

On January 1, 2007 Progress adopted the new accounting standards regarding the recognition, measurement, disclosure and presentation of financial instruments. In conjunction with the adoption of these new standards, the Trust elected not to use hedge accounting for its natural gas derivative contracts under its risk management program. The fair value of the commodity contracts is recognized at each reporting period with the change in the fair value being classified as an unrealized gain or loss on the statement of earnings. In accordance with the transitional provisions of the standards, the accounting for hedging relationships for prior periods is not retroactively adjusted, therefore, there has been no restatement of the prior period. On adoption, the Trust recognized a current asset of \$15.6 million for the fair value of its natural gas derivative contracts and an increase to the future income tax liability and accumulated other comprehensive income of \$5.1 million and \$10.5 million, respectively. The \$10.5 million in accumulated other comprehensive income will be amortized through other comprehensive income and unrealized gain or loss on financial instruments on the statement of earnings over the term of the contracts. As a result, \$6.3 million, net of tax, was charged to other comprehensive income with a corresponding unrealized gain on financial instruments of \$9.4 million and a charge to future income tax expense of \$3.1 million for the three months ended March 31, 2007.

The impact of the change in fair value from January 1, 2007 to March 31, 2007 is disclosed in note 10. Certain comparative amounts have been reclassified to conform to the presentation adopted in 2007.

3. PROPERTY, PLANT AND EQUIPMENT

	March 31 2007	December 31 2006
Property, plant and equipment	1,046,239	1,001,785
Conversions of exchangeable shares	46,835	46,014
Accumulated depletion and depreciation	(328,668)	(303,368)
Property, plant and equipment, net	764,406	744,431

The conversion of exchangeable shares held by previous Progress Energy Ltd. shareholders to Trust units is accounted for as a step-purchase. Consequently a charge of \$0.8 million was made to property, plant and equipment for the three months ended March 31, 2007 (2006 - \$9.8 million).

The calculation of 2007 depletion and depreciation expense included an estimated \$30.6 million for future development costs associated with proved undeveloped reserves and excluded \$24.1 million for the estimated future net realizable value of production equipment and facilities and \$58.7 million for the estimated value of unproven properties. Depletion and depreciation expense for the three months ended March 31, 2007 was \$25.3 million (2006 - \$23.2 million).

Included in the Trust's property, plant and equipment balance is \$14.7 million, net of accumulated depletion, related to asset retirement obligations (\$23.4 million before accumulated depletion) (Refer to note 6).

The Trust capitalized approximately \$0.6 million of geological and geophysical compensation costs associated with the exploration and development of capital assets during the three months ended March 31, 2007 (2006 - \$0.6 million).

4. BANK DEBT

	March 31 2007	December 31 2006
Direct advances	19,598	-
Banker's acceptances	90,000	75,000
Total bank debt	109,598	75,000

At March 31, 2007 the Trust's credit facilities consisted of a \$200 million extendible revolving term credit facility and a \$15 million working capital credit facility with a syndicate of banks. Subsequent to March 31, 2007, in conjunction with the acquisition described in note 11, the Trust increased its extendible revolving term credit facility to \$340 million and increased its working capital facility to \$35 million resulting in total credit facilities of \$375 million. The facilities are available on a revolving basis for a period of at least 364 days until May 27, 2008, and such initial term out date may be extended for further 364 day periods at the request of the Trust, 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. Various borrowing options are available under the facilities including prime rate based advances and banker's acceptance loans. Average cost of borrowing under these facilities for the three months ended March 31, 2007 was 5.1 percent (2006 – 4.5 percent). The credit facilities are secured by a \$1 billion fixed and floating charge debenture on the assets of the Trust and by a guarantee and subordination provided by Progress in respect of the Trust's obligations. The \$375 million borrowing base is subject to semi-annual review by the banks.

5. CONVERTIBLE DEBENTURES

The 6.75 percent debentures and the 6.25 percent debentures (the "Debentures") have been classified as debt, net of issue costs and net of the fair value of the conversion feature at the date of issue which has been classified as part of unitholders' equity. The issue costs will be amortized over the term of the Debentures and the debt portion will accrete up to the principal balance at maturity. The accretion, amortization of issue costs and the interest paid are expensed within interest and financing expense on the consolidated statements of earnings. If the Debentures are converted to units, a portion of the value of the conversion feature under unitholders' equity will be reclassified to unitholders' capital along with the conversion price paid.

The 6.75 percent debentures and the 6.25 percent debentures pay interest semi-annually and are convertible at the option of the holder at any time into fully paid trust units at a conversion price of \$15.00 per trust unit and \$19.50 per trust unit, respectively. The 6.75 percent debentures mature on June 30, 2010 and the 6.25 percent debentures mature on September 30, 2011, at which time they are due and payable. The Trust may elect to satisfy the interest and principal obligations by the issuance of trust units. The following table sets forth a reconciliation of the Debenture activity:

	Three Months Ended March 31					
	2007			2006		
	6.75%	6.25%	Total	6.75%	6.25%	Total
Debentures						
Principal, beginning of period ¹	55,727	75,000	130,727	86,182	-	86,182
Converted to Trust Units	-	-	-	(22,726)	-	(22,726)
Principal, end of period	55,727	75,000	130,727	63,456	-	63,456
Debt portion, beginning of period¹						
Debt portion, beginning of period ¹	52,300	67,305	119,605	79,381	-	79,381
Accretion	125	232	357	145	-	145
Amortization of issue costs	117	162	279	138	-	138
Conversions to Trust Units ²	-	-	-	(20,940)	-	(20,940)
Debt portion, end of period	52,542	67,699	120,241	58,724	-	58,724
Equity portion, beginning of period¹						
Equity portion, beginning of period ¹	2,756	4,946	7,702	4,261	-	4,261
Conversions to Trust Units	-	-	-	(1,124)	-	(1,124)
Equity portion, end of period	2,756	4,946	7,702	3,137	-	3,137

(1) The 6.75 percent debentures were issued February 2, 2005 and the 6.25 percent debentures were issued August 22, 2006.

(2) Net of unamortized issue costs.

Total interest charged to earnings for the three months ended March 31, 2007 was \$2.7 million (2006 - \$1.5 million) which includes \$0.4 million of debenture accretion (2006 - \$0.1 million) and \$0.3 million of amortized issue costs (2006 - \$0.1 million).

6. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations were estimated based on the Trust'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 \$58.1 million which will be incurred over the next 41 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 Trust's asset retirement obligations:

	Three Months Ended March 31	
	2007	2006
Balance, beginning of period	24,148	20,906
Liabilities incurred	514	2,024
Liabilities settled	(99)	(1,527)
Accretion expense	493	421
Balance, end of period	25,056	21,824

7. NON-CONTROLLING INTEREST – EXCHANGEABLE SHARES

The non-controlling interest on the consolidated balance sheet consists of the book value of exchangeable shares issued to Progress Energy Ltd. shareholders and the fair value of exchangeable shares issued to Cequel Energy Inc. shareholders as part of a Plan of Arrangement that became effective on July 2, 2004, plus net earnings attributable to the exchangeable shares, less exchangeable shares (and related cumulative earnings) redeemed. The non-controlling interest charge on the consolidated statement of earnings represents the share of net earnings attributable to the exchangeable shares based on the trust units issuable for exchangeable shares in proportion to total trust units issued and issuable each period end.

	Three months ended March 31			
	2007		2006	
	Number	Amount	Number	Amount
Exchangeable Shares				
Balance, beginning of period	9,642,540	122,592	11,388,751	127,205
Exchanged for trust units	(256,866)	(3,266)	(1,242,992)	(14,145)
Non-controlling interest expense		2,741		3,921
Balance, end of period	9,385,674	122,067	10,145,759	116,981

The exchangeable shares can be converted, at the option of the holder, into trust units at any time and are listed on the Toronto Stock Exchange under the symbol PGE. If the number of exchangeable shares outstanding is less than 1,600,000, the Trust can elect to redeem the exchangeable shares for trust units or an amount in cash equal to the amount determined by multiplying the exchange ratio on the last business day prior to the redemption date by the current market price of a trust unit on the last business day prior to such redemption date. The number of trust units issued upon conversion is based on the exchange ratio in effect on the date of conversion. The exchange ratio is calculated monthly based on the five day weighted average trust unit trading price preceding the monthly effective date. The exchangeable shares are not eligible for cash distributions.

Retraction of Exchangeable Shares

Exchangeable shareholders may redeem their shares at any time by delivering their share certificates to the Trustee, together with a properly completed retraction request. The retraction price will be satisfied with trust units equal to the amount determined by multiplying the exchange ratio on the last business day prior to the retraction date by the number of exchangeable shares redeemed.

Redemption of Exchangeable Shares

On July 2, 2009 the exchangeable shares will be redeemed by the Trust unless the Board of Directors of Progress Energy Ltd. elect to extend the redemption period. The exchangeable shares will be redeemed by either issuing units or payment in cash for an amount equivalent to the value of the exchangeable shares at the current exchange ratio.

8. UNITHOLDERS' EQUITY

The Trust Indenture provides that an unlimited number of trust units may be authorized and issued. Each trust unit is transferable, carries the right to one vote and represents an equal undivided beneficial interest in any distributions from the Trust and in the assets in the event of termination or winding-up of the Trust. All trust units are of the same class with equal rights and privileges.

Unitholders' Capital

	Three months ended March 31			
	2007		2006	
	Number	Amount	Number	Amount
Trust Units				
Balance, beginning of period	75,457,291	739,998	71,302,265	681,263
Exchangeable shares converted	341,655	3,843	1,498,125	20,647
Issued on conversion of convertible debentures	-	-	1,515,059	22,064
Balance, end of period	75,798,946	743,841	74,315,449	723,974

Redemption Right

Unitholders may redeem their trust units for cash at any time, up to a maximum value of \$250,000 in any calendar month, by delivering their unit certificates to the Trustee, together with a properly completed notice requesting redemption. The redemption amount per trust unit will be the lesser of 90 percent of the simple average closing price of the trust units on the principal market on which they are traded for the 10 day trading period after the trust units have been validly tendered for the redemption and the closing market price of the trust units on the principal market on which they are traded on the date on which they were validly tendered for redemption, or if there was no trade of the trust units on that date, the average of the last bid and ask prices of the trust units on that date.

Net Earnings Per Unit

The following table summarizes the weighted average trust units used in calculating net earnings per unit:

	Three Months Ended March 31	
	2007	2006
Weighted average trust units - basic	75,683,891	72,803,846
Trust units issuable on conversion of exchangeable shares ¹	12,781,715	13,382,852
Performance units	573,777	391,814
Weighted average trust units - diluted	89,039,383	86,578,512

(1) Calculated based on the weighted average exchangeable shares outstanding during the period at the period end exchange ratio.

An adjustment to the numerator of \$2.7 million for the three months ended March 31, 2007 (2006 - \$3.9 million) is required in the diluted earnings per unit calculation to provide for earnings attributable to non-controlling interest. Units potentially issuable on the conversion of the Debentures are anti-dilutive and are not included in the calculation of diluted weighted average units for the three months ended March 31, 2007.

Performance Unit Incentive Plan

The Trust has established a Performance Unit Incentive Plan (the “Plan”) for employees and directors of the Trust or its subsidiary. The number of units reserved for issuance under the Plan shall not exceed 5 percent of the aggregate number of issued and outstanding units of the Trust and including the number of units which may be issued on the exchange of the outstanding exchangeable shares, which may be converted into trust units. Under the Plan, performance units shall be granted by the Board of Directors of Progress Energy Ltd. from time to time at its sole discretion. The performance units will vest on the third anniversary of the date of grant and actual payment will be determined based on the performance of the Trust relative to its peers. Performance factors range from 0.5 to 1.5 times the initial performance units granted. Over the three year term the performance units will attract distributions. The Trust expects to pay out the distribution portion in cash while the units earned will be issued from treasury.

As at March 31, 2007 there are 381,367 performance units outstanding that were granted effective July 2, 2004. As a result, the fair value of the performance units granted, calculated using a performance factor of 1.0, was approximately \$5.1 million of which \$4.5 million will be amortized through unit based compensation expense and \$0.6 million will be capitalized over the vesting period with a corresponding increase to contributed surplus.

As at March 31, 2007 there are 510,700 performance units outstanding that were granted effective July 2, 2005. The fair value of the performance units using a performance factor of 1.0 was approximately \$8.1 million of which \$7.0 million will be amortized through unit based compensation expense and \$1.1 million will be capitalized over the vesting period with a corresponding increase to contributed surplus.

As at March 31, 2007, there are 415,250 performance units outstanding that were granted effective July 2, 2006, the fair value of which, using a performance factor of 1.0, was approximately \$6.5 million. Over the three year vesting period, approximately \$5.6 million will be amortized through unit based compensation expense and \$0.9 million will be capitalized over the vesting period with a corresponding increase to contributed surplus.

For the three months ended March 31, 2007 \$1.5 million was charged to unit based compensation expense (2006 – \$1.0 million) and \$0.3 million was capitalized (2006 – \$0.2 million) relating to the total performance units outstanding.

	Three Months Ended	
	2007	2006
Performance Units		
Balance, beginning of period	1,300,717	899,567
Granted	11,350	10,500
Forfeited	(4,750)	(2,400)
Balance, end of period	1,307,317	907,667
Vesting Date		
July 2, 2007	381,367	386,867
July 2, 2008	510,700	520,800
July 2, 2009	415,250	-
Total	1,307,317	907,667

The following table reconciles the Trust's contributed surplus:

	Three Months Ended March 31	
	2007	2006
Balance, beginning of period	9,210	3,530
Unit based compensation expense	1,486	1,007
Unit based compensation capitalized	238	164
Balance, end of period	10,934	4,701

Accumulated other comprehensive income

As described in note 2, the adoption of the new accounting policies regarding financial instruments resulted in an amount being recognized in accumulated other comprehensive income for the fair value of the Trust's natural gas derivative contracts at January 1, 2007. The amount recognized in accumulated other comprehensive income was \$10.5 million, representing the value of the asset of \$15.6 million net of future income taxes of \$5.1 million. This amount will be charged to the statement of earnings over the term of the contracts with a corresponding decrease to other comprehensive income.

	Three Months Ended March 31	
	2007	2006
Balance, beginning of period	-	-
Change in accounting policy, net of tax of \$5,072 (Note 2)	10,543	-
Amortization of fair value of financial instruments, net of tax of \$3,047	(6,334)	-
Balance, end of period	4,209	-

9. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

	Three Months Ended March 31	
	2007	2006
Accounts receivable	(1,149)	11,463
Prepaid expenses and deposits	(17)	153
Accounts payable	1,967	(12,909)
Current income taxes payable	20	(66)
Change in non-cash working capital	821	(1,359)
Relating to:		
Financing activities	850	-
Investing activities	4,311	(4,057)
Operating activities	(4,340)	2,698

Interest and taxes paid

	Three Months Ended March 31	
	2007	2006
Interest paid	3,908	4,012
Income and other taxes paid	25	405

10. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The Trust's financial instruments recognized on the balance sheet consist of accounts receivable, accounts payable and accrued liabilities, bank debt, convertible debentures and derivative natural gas contracts ("financial instruments"). The fair value of these instruments, excluding the convertible debentures and the derivative natural gas contracts, approximate their carrying amounts due to their short terms to maturity or the indexed rate of interest on the bank debt. The fair value of the convertible debentures outstanding as at March 31, 2007 was approximately \$132.0 million (2006 - \$72.8 million). The fair value of the natural gas contracts is recognized on the balance sheet as described below.

Commodity Price Contracts

The Trust has entered into several derivative natural gas financial instruments for the purpose of protecting its cash flow from operations before changes in non-cash working capital from the volatility of natural gas prices. For the three months ended March 31, 2007, the Trust's natural gas price risk management program had a net realized gain of \$7.0 million (2006 - \$0.6 million net loss).

As described in note 2, the Trust recognizes the fair value of its commodity price contracts on the balance sheet each reporting period with the change in fair value being recognized as an unrealized gain or loss on the statement of earnings. On January 1, 2007 the fair value of the commodity price contracts was an asset of \$15.6 million and resulted in an increase to accumulated other comprehensive income and the future income tax liability of \$10.5 million and \$5.1 million, respectively. The \$10.5 million recognized in accumulated other comprehensive income will be amortized over the term of the contracts through other comprehensive income with a corresponding unrealized gain on financial instruments on the statement of earnings. As a result, \$6.3 million, net of tax, was charged to other comprehensive income with a corresponding unrealized gain on financial instruments of \$9.4 million and a charge to future income tax expense of \$3.1 million for the three months ended March 31, 2007. At March 31, 2007 the fair value was a liability of \$2.0 million, resulting in an unrealized loss for the three months ended March 31, 2007 of \$8.2 million, net of the amortization of the accumulated other comprehensive income.

Contracts outstanding in respect to financial instruments are as follows:

Natural Gas Contracts ¹	Volume	Pricing Point	Strike Price \$/gj	Cost/ Premium	Term
Swap - call spread	10,000 gj/d	AECO	\$7.45 - \$8.45	\$0.42/gj	Apr 01/07 - Oct 31/07
Swap - call spread	10,000 gj/d	AECO	\$7.41 - \$8.41	\$0.39/gj	Apr 01/07 - Oct 31/07
Swap - call spread	10,000 gj/d	AECO	\$7.42 - \$8.42	\$0.37/gj	Apr 01/07 - Oct 31/07
Swap - call spread	10,000 gj/d	AECO	\$7.43 - \$8.43	\$0.38/gj	Apr 01/07 - Oct 31/07

(1) Call spread strike prices indicate minimum floor and maximum ceiling

Commodity Sales Contract

The following physical gas sales contract was outstanding at March 31, 2007. 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 March 31, 2007 the unamortized remaining liability was \$0.7 million.

Volume	Pricing Point	Progress Price	Term
1,000 gj/d	AECO	\$2.16/gj in 2007 escalating at 2.5% annually	Jun 1/97 – Oct 31/08

11. SUBSEQUENT EVENTS

On April 2, 2007 Progress acquired all of the issued and outstanding shares of a private company for \$526.0 million, prior to closing adjustments, net of certain assets retained by the vendor. In conjunction with the acquisition, on April 2, 2007, Progress disposed of certain assets of the private company to ProEx for \$134.3 million, prior to closing adjustments. The resulting net cash consideration of \$391.7 million was financed by the issuance of 21.0 million trust units at a price of \$12.00 per trust unit for proceeds of \$252.0 million (\$238.6 million net of issue costs) and through increased bank debt. Costs incurred prior to March 31, 2007 of \$27.5 million relating to the acquisition and financing have been classified on the balance sheet as deferred acquisition. On closing, the costs will be classified to property, plant and equipment or unit issue costs.

On April 12, 2007 Progress entered into a purchase and sale agreement to acquire certain petroleum and natural gas assets in the Deep Basin region of northwest Alberta for approximately \$39.8 million, net of final closing adjustments. The purchase is expected to close on May 31, 2007. A portion of the lands and infrastructure being acquired are subject to a right-of-first-refusal which could be exercised before the closing of the acquisition.

SELECTED QUARTERLY INFORMATION

FINANCIAL HIGHLIGHTS

Three Months Ended

	2006				2007
	March 31	June 30	Sept 30	Dec 31	March 31
<i>(\$ thousands except per unit amounts)</i>					
Income Statement					
Petroleum and natural gas revenue	91,568	71,439	72,328	75,182	85,477
Cash flow ¹	47,637	45,871	47,218	49,603	53,080
Per unit - diluted	0.55	0.52	0.54	0.56	0.60
Cash distributions declared	30,836	31,412	31,626	31,689	24,831
Per unit	0.42	0.42	0.42	0.42	0.30
Net earnings	21,383	28,425	20,252	21,538	16,425
Per unit - basic	0.29	0.38	0.27	0.29	0.22
Per unit - diluted	0.29	0.38	0.27	0.28	0.22
Payout Ratio					
Excluding exchangeable shares	65%	68%	67%	64%	47%
Including exchangeable shares	76%	80%	78%	75%	54%
Balance Sheet					
Capital expenditures	35,984	32,489	30,875	35,304	43,601
Total debt	172,106	182,873	190,531	208,564	252,000
Unitholders' equity	687,953	694,236	696,844	688,539	689,909
Trust Units (thousands, except where otherwise stated)					
Units outstanding, end of period	74,315	74,901	75,448	75,457	75,799
Units issuable for exchangeable shares	12,309	12,314	12,301	12,657	12,665
Total units outstanding and issuable for exchangeable shares, end of period	86,624	87,215	87,749	88,114	88,464
Weighted average units – diluted ²	86,579	87,557	88,190	88,623	89,039
Exchange ratio, end of period	1.21322	1.24284	1.27469	1.31263	1.34944
Trust Unit Trading Statistics (\$)					
High	18.20	18.33	17.50	16.21	13.29
Low	14.75	14.73	14.21	10.60	11.00
Closing	17.45	16.30	15.30	12.57	13.07
Unit volume traded (thousands)	18,619	12,619	15,524	23,725	23,116
Exchangeable Shares Trading Statistics (\$)					
High	21.29	21.76	22.48	20.40	17.50
Low	18.49	18.28	18.60	14.90	14.84
Closing	20.70	19.57	18.60	16.21	17.50
Share volume traded (thousands)	85	15	69	31	13

(1) Refer to discussion in the Management Discussion and Analysis

(2) Includes exchangeable shares converted at the end of period exchange ratio.

SELECTED QUARTERLY INFORMATION

OPERATIONAL HIGHLIGHTS

	Three Months Ended				
	2006				2007
	March 31	June 30	Sept 30	Dec 31	March 31
Daily Production					
Natural gas (mcf/d)	86,433	82,271	85,701	88,568	94,351
Crude oil (bbls/d)	2,605	2,099	2,056	2,030	2,118
Natural gas liquids (bbls/d)	1,390	1,478	1,327	1,269	1,379
Total daily production (boe/d)	18,401	17,288	17,667	18,060	19,222
Average Realized Prices					
Natural gas (\$/mcf)	8.82	6.55	6.30	7.07	7.87
Crude oil (\$/bbl)	64.45	72.79	75.69	59.26	62.15
Natural gas liquids (\$/bbl)	62.86	63.34	68.29	55.71	55.08
Highlights (\$/boe)					
Weighted average sales price	55.29	45.41	44.50	45.25	49.41
Realized gain/(loss) on financial instruments	(0.37)	6.08	6.47	6.29	4.04
Royalties	(14.87)	(11.94)	(11.24)	(10.29)	(11.67)
Operating expenses	(5.81)	(6.15)	(6.18)	(6.63)	(6.38)
Transportation expenses	(1.91)	(1.68)	(1.61)	(1.56)	(1.60)
Operating Netbacks	32.33	31.72	31.94	33.06	33.80
General and administrative expense	(1.08)	(1.08)	(0.79)	(0.93)	(1.14)
Unit based compensation	(0.61)	(0.64)	(0.84)	(0.90)	(0.86)
Interest and financing expenses	(1.45)	(1.60)	(2.02)	(2.16)	(2.19)
Unrealized loss on financial instruments	-	-	-	-	(4.76)
Depletion, depreciation and accretion	(14.27)	(14.49)	(14.59)	(14.77)	(14.91)
Net earnings before taxes	14.92	13.91	13.70	14.30	9.94
Capital taxes	(0.20)	0.16	(0.03)	(0.03)	(0.03)
Future income taxes (recovery)	0.56	6.98	0.83	0.85	1.16
Non-controlling interest – exchangeable shares	(3.16)	(3.32)	(2.37)	(2.16)	(1.58)
Net earnings	12.91	18.07	12.46	12.96	9.49
Drilling Results					
Gross	39	15	22	30	29
Net – natural gas	18.8	11.0	9.8	15.6	11.7
Net – crude oil	0.8	0.4	1.6	2.0	-
Success Rate (percent)	93	100	95	100	89

CORPORATE INFORMATION

DIRECTORS

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

Donald F. Archibald ⁽¹⁾⁽⁴⁾⁽⁵⁾
Chairman & CEO
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John A. Brussa ⁽³⁾⁽⁵⁾
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Burnet, Duckworth and Palmer LLP
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Frederic C. Coles ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁵⁾
Independent Businessman
Calgary, Alberta

Howard J. Crone ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁵⁾
Independent Businessman
Calgary, Alberta

Michael R. Culbert
President & CEO
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Calgary, Alberta

Gary E. Perron ⁽¹⁾⁽³⁾⁽⁵⁾
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

⁽⁵⁾ Member of Corporate Governance
and Nominating Committee

Environment, Health and Safety matters
are addressed by the entire Board of
Directors

OFFICERS

David D. Johnson
Chairman

Michael R. Culbert
President & CEO

Steven A. Allaire
Senior Vice President

Greg W. Kist
Vice President, Investor Relations
and Marketing

Art A. MacNichol
Vice President, Finance &
Chief Financial Officer

Cindy R. Rutherford
Vice President, Land

Neil H. Samis
Vice President, Production

Daniel C. Topolinsky
Vice President, Exploration

Gary R. Bugeaud
Secretary

CORPORATE OFFICE

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Calgary, Alberta T2P 4B9
Telephone: (403) 216-2510
Fax: (403) 216-2514

TRUSTEE AND TRANSFER AGENT

Computershare Trust Company
of Canada
Calgary, Alberta

STOCK EXCHANGE

The Toronto Stock Exchange
trading symbols:
Trust Units - PGX.UN
Exchangeable Shares – PGE
6.75% Debentures – PGX.DB
6.25% Debentures – PGX.DB.A

SOLICITOR

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

AUDITOR

KPMG LLP
Calgary, Alberta

CONSULTING ENGINEERS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

INVESTOR RELATIONS

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