

Progress Energy Trust Generates Record Third Quarter Cash Flow

Strong summer natural gas prices and low operating costs drive cash flow

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
FINANCIAL HIGHLIGHTS				
Income Statement (\$thousands, except per unit amounts)				
Petroleum and natural gas revenue	93,372	68,299	255,601	137,922
Cash flow from operations	53,215	36,355	140,192	69,116
Per unit – diluted	0.64	0.45	1.68	1.35
Cash distributions declared	29,210	27,670	86,658	27,670
Per trust unit	0.42	0.42	1.26	0.42
Payout Ratio				
Excluding exchangeable shares	55%	76%	62%	76%
Including exchangeable shares	66%	94%	75%	94%
Balance Sheet (\$thousands)				
Working capital deficiency	23,789	22,580	23,789	22,580
Bank debt	71,167	129,000	71,167	129,000
Convertible debentures	91,159	-	91,159	-
Total debt	186,115	151,580	186,115	151,580
Capital expenditures	24,492	12,112	72,431	72,428
OPERATIONAL HIGHLIGHTS				
Average Daily Production				
Natural gas (<i>mcf/d</i>)	80,804	81,783	81,507	53,901
Crude oil (<i>bbls/d</i>)	2,734	2,475	2,784	2,288
Natural gas liquids (<i>bbls/d</i>)	1,280	1,197	1,393	619
Total daily production (<i>boe/d</i>)	17,481	17,302	17,762	11,891
Average Realized Prices				
Natural gas - before hedging (<i>\$/mcf</i>)	9.33	6.94	8.25	6.96
Natural gas - after hedging (<i>\$/mcf</i>)	9.11	6.99	8.31	6.97
Crude oil - before hedging (<i>\$/bbl</i>)	72.66	53.35	65.56	48.92
Crude oil - after hedging (<i>\$/bbl</i>)	72.66	47.31	65.56	44.42
Natural gas liquids (<i>\$/bbl</i>)	62.68	45.09	55.10	43.25
Wells Drilled, Net	12.9	6.2	30.3	31.7

Notes: Cash flow from operations is a non-GAAP term, refer to Management's Discussion and Analysis attached.

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.

Certain comparative period numbers reflect retroactive restatement due to changes in accounting policies.

Progress Energy Trust (“Progress” or “Trust”) generated record quarterly cash flow from operations of \$53.2 million or \$0.64 per unit, diluted for the third quarter of 2005, a 42 percent increase compared to the third quarter of 2004. Cash distributions declared totaled \$29.2 million or \$0.42 per trust unit resulting in a payout ratio of 55 percent excluding exchangeable shares (66 percent including exchangeable shares) which do not receive cash distributions. Production averaged 17,481 barrels of oil equivalent (boe) per day, which comprises sustainable base production of approximately 18,000 boe per day and approximately 500 boe per day of downtime associated with the McMahon gas processing facility scheduled turnaround during the third quarter.

“Strong commodity prices continue to drive record cash flow generation,” said Michael Culbert, President and CEO of Progress. “With our previously announced increased capital investment program underway and the McMahon turnaround behind us, we are positioned to provide our unitholders with growth in production at a time when commodity prices are high.”

Strong natural gas prices while operating costs remain low

The Trust’s average gas price realization in the quarter was \$9.11 per thousand cubic feet (mcf) after hedging, 30 percent higher than the comparable quarter in 2004. On a before hedging basis, the Trust’s gas price realization was \$9.33. Progress’ price realization represents a premium of approximately \$1.16 per mcf to the average daily AECO price of \$8.17 per mcf. The premium reflects the high heat content of the Trust’s gas production.

Operating expenses averaged \$5.70 per boe compared to \$5.81 per boe in the third quarter of 2004. The Trust’s operating netback was \$36.02 per boe in the third quarter compared to \$24.60 per boe in the third quarter of 2004.

Financial strength

Capital investment in the third quarter was \$24.5 million or \$72.4 million for the nine months ended September 30, 2005. Capital expenditures are forecast at \$95 million in 2005 which reflects the Progress’ expanded drilling program and incremental land capture.

With total debt-to-cash flow under 1.0 times based on the nine months of 2005 annualized cash flow, the Trust remains in a very strong financial position.

OPERATIONS

Production positioned to grow

Daily production for the third quarter averaged 17,481 boe including 80.8 million cubic feet per day of natural gas and 4,014 barrels of light and medium oil and natural gas liquids. Quarterly production was impacted by the previously planned and announced McMahon gas processing facility turnaround. The McMahon facility returned to full capacity on July 16. Progress’ current production rate is approximately 18,200 boe per day with approximately 800 boe per day awaiting tie-in as a result of Progress’ strong third quarter drilling program. Fourth quarter production is expected to average between 18,200 to 18,400 boe per day with an expected exit rate of between 18,600 to 18,800 boe per day.

Drilling success continues, additional land capture

In the third quarter, the Trust participated in 24 gross wells (12.9 net) with a 89 percent success rate. In the Deep Basin of northwest Alberta, Progress drilled 10 gross wells in the quarter resulting in seven gas wells. It is expected that these wells will be tied-in and producing by the end of the fourth quarter. In the Foothills of northeast British Columbia, seven gas wells were drilled at a 100 percent success rate. The Trust has an ongoing program in the Foothills comprising lower risk 100 percent working interest development drilling locations and 20 percent working interest higher risk exploratory drilling targets designed to expand the Trust’s opportunity portfolio for future drilling. In the Fort St. John Plains region, a horizontal exploratory test was drilled in the third quarter at Two Rivers which was designed to expand the untested east flank of the Siphon oil pool. The well is currently on production at over 300 barrels per day net to Progress. As a result, further drilling similar to this successful test is planned for the first quarter of 2006. The remaining six wells drilled were mainly in southcentral Alberta with industry partners resulting in five gas wells and one oil well.

Progress plans to maintain a consistent drilling program on its core properties in the Deep Basin and in the northeast British Columbia Foothills in the fourth quarter. As well, the Trust recently kicked-off additional drilling at its Gilby property in southcentral Alberta targeting shallow natural gas reserves.

“We currently have four rigs drilling on Progress operated wells and another four rigs drilling wells in which Progress has a working interest,” said Mr. Culbert. “Our strategy and our results today reaffirm our commitment to sustainability and growth on a per unit basis through the drill bit. We can remain patient for the right opportunity in the acquisition market because of our strong inventory of internal drilling locations.”

The Trust continued its land acquisition efforts in the third quarter completing three farm-ins to industry competitors in the Foothills region which, together with third quarter landsale success, has added over 15,000 gross acres upon which to explore. Progress has committed to drill three wells over the next six months on the farm-in blocks which are located adjacent to existing producing Trust properties. In total, Progress controls nearly 600,000 net acres of undeveloped lands.

CORPORATE DEVELOPMENTS

Progress has been advised that it will be added to the S&P/TSX Composite Index in the coming months. Progress was selected because it is among the largest and most actively traded income trusts on the Toronto Stock Exchange. Progress has a current market capitalization of approximately \$1.3 billion.

On October 19, 2005, the Board of Directors of Progress Energy Ltd. announced that Michael Culbert will assume the role of Chief Executive Officer in addition to his current responsibilities as President of Progress. David Johnson will remain in an active role as Chairman of the Board of Progress. Additionally, Greg Kist will assume Marketing responsibilities for the Trust’s production in addition to his role in Investor Relations.

In September 2005, the federal government issued a discussion paper on the tax status and structure of income trusts seeking submissions by December 31, 2005. Progress will be participating in a submission through an industry association.

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following discussion and analysis of financial results is dated October 25, 2005, and is to be read in conjunction with the accompanying unaudited consolidated interim financial statements and related notes for the period ended September 30, 2005 and the audited consolidated financial statements and related notes and management discussion and analysis (“MD&A”) of Progress Energy Trust for the year ended December 31, 2004. 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.

Management uses cash flow from operations (before changes in non-cash working capital) (“cash flow”) to analyze operating performance and leverage. The term distributable cash is also used to present the amount of cash that the Trust distributes to unitholders. Neither distributable cash nor cash flow presented have any standardized meaning prescribed by GAAP and therefore they may not be comparable with the calculation of similar measures for other entities. Distributable cash and cash flow as presented are not intended to represent operating profit for the period nor should they 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 net earnings and cash flow can be found in the consolidated statements of cash flows in the unaudited interim financial statements. The Trust 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. Both distributable cash and cash flow are used by research analysts to value and compare oil and gas trusts and are 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.

Forward-Looking Information

Certain information regarding Progress Energy Trust (“Progress” or the “Trust”) 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.

Plan of Arrangement – Transformation to a Trust

On July 2, 2004 Progress Energy Ltd. and Cequel Energy Inc. (“Cequel”) amalgamated to create Progress Energy Trust and two publicly listed, exploration-focused companies, ProEx Energy Ltd. (“ProEx”) and Cyries Energy Inc. (“Cyries”), pursuant to a Plan of Arrangement (“Arrangement”). The Arrangement resulted in Progress Energy Ltd. shareholders receiving one trust unit or exchangeable share of the Trust and 0.2 of a share in each of ProEx and Cyries. Cequel shareholders received 0.695 trust units or exchangeable shares of the Trust and 0.139 of a share in each of ProEx and Cyries. Upon completion of the Arrangement, 65.4 million trust units and 16.0 million exchangeable shares were outstanding. As at October 24, 2005 there were 70.4 million trust units and 11.5 million exchangeable shares outstanding.

The Arrangement resulted in the Trust owning approximately 90 percent of the combined producing assets of Progress Energy Ltd. and Cequel. The remainder of the properties of Progress Energy Ltd. and Cequel were transferred to ProEx and Cyries, respectively, consisting of certain prospective natural gas weighted assets and undeveloped land. As a result of the Arrangement the Trust and ProEx have joint interest in certain properties and undeveloped land. These joint interest properties are governed by standard industry agreements and in addition the Trust has entered into a protocol arrangement (“Protocol Arrangement”) and a technical services agreement (“Technical Services Agreement”) with ProEx that specifies how each company will govern the management of the joint lands in specifically identified areas of interest and allocate shared expenses. 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.

Protocol Arrangement In conjunction with the Arrangement, ProEx assumed the interests in certain of Progress' producing assets and undeveloped land. 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.

Technical Services Agreement In conjunction with the Arrangement, the Trust entered into a Technical Services Agreement with ProEx where the Trust provides personnel and certain administrative and technical services in connection with the management, development, exploitation and operation of the assets of ProEx. 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 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.

The conversion of Progress Energy Ltd. to a Trust has been accounted for as a continuity of interest. Accordingly, the consolidated financial statements for 2005 and 2004 reflect the financial position, results of operations and cash flows as if the Trust had always carried on the business formerly carried on by Progress Energy Ltd. The nine months ended September 30, 2004 reflect the results of operations and cash flows of Progress Energy Ltd. and its subsidiaries for the period from January 1, 2004 to July 1, 2004 and the results of

the Trust from July 2, 2004 to September 30, 2004. Due to the conversion into an energy trust, certain information included in the MD&A for prior periods may not be directly comparable.

Description of Business

Progress is an open-ended, unincorporated investment trust governed by the laws of the province of Alberta. The Trust's unitholders and shareholders are the sole beneficiaries of the Trust. The trust structure allows individual unitholders to participate in the cash flow of the business. Cash flow is realized from the Trust's ownership of natural gas and petroleum properties and related facilities.

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 areas include the deep basin of northwest Alberta and the foothills and plains regions of northeast British Columbia. Trust units of Progress trade on the Toronto Stock Exchange ("TSX") under the symbol PGX.UN. Exchangeable shares and 6.75 percent convertible unsecured subordinated debentures of Progress trade on the TSX under the symbols PGE and PGX.DB respectively.

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 and general economic conditions and changes in the Canadian/US 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 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 well-head.

Production

	Three Months Ended September 30		Nine Months Ended September 30		Change
	2005	2004	2005	2004	
Average Daily Production					
Natural gas (<i>mcf/d</i>)	80,804	81,783	81,507	53,901	51%
Crude oil (<i>bbls/d</i>)	2,734	2,475	2,784	2,288	22%
Natural gas liquids (<i>bbls/d</i>)	1,280	1,197	1,393	619	125%
Total daily production (<i>boe/d</i>)	17,481	17,302	17,762	11,891	49%

For the three months ended September 30, 2005 (the "Quarter"), Progress production averaged 17,481 boe per day consisting of 80,804 mcf per day of natural gas, 2,734 barrels ("bbls") per day of crude oil and 1,280 bbls per day of natural gas liquids. Production during the Quarter was consistent with the same period in 2004 of 17,481 boe per day and 17,302 boe per day respectively. The Trust's production portfolio for the Quarter was weighted 77 percent to natural gas, 16 percent to crude oil and 7 percent to natural gas liquids.

Production for the Quarter was reduced by approximately 500 boe per day due to the planned and previously announced Duke-owned McMahan gas processing facility shutdown in northeast British Columbia. Approximately 35 percent of the Trust's gas is processed through this facility. The facility turnaround was conducted in three stages. Initially the facility curtailed firm service by 32 percent from June 16 to June 19, 2005. The facility was completely shutdown from June 20 to July 8, 2005 and firm service was curtailed 14 percent from July 9 to July 15, 2005.

Natural gas production of 80,804 mcf per day during the Quarter was consistent to the same period in 2004 of 81,783 mcf per day. Crude oil and natural gas liquids production for the Quarter increased 9 percent to 4,014 bbls per day from 3,672 bbls per day for the same period in 2004. The increase in crude oil and natural gas liquids production is mainly due to successful drilling in Gold Creek, Alberta and Two Rivers, British Columbia.

Year-to-date 2005 production was 17,762 boe per day consisting of 81,507 mcf per day of natural gas, 2,784 bbls per day of crude oil and 1,393 bbls per day of natural gas liquids. This compares favorably to 11,891 boe per day for the same period in 2004 due to the Cequel acquisition (refer to Plan of Arrangement). The Trust's production portfolio for the nine months ended September 30, 2005 was weighted 76 percent to natural gas, 16 percent to crude oil and 8 percent to natural gas liquids.

Pricing and Risk Management

During the latter part of July, some of the hottest North American weather seen for over twenty years pushed cooling demand to record levels. During the week of July 22 (the hottest week of the month), several key markets for cooling demand in the US saw temperatures rise to over 50 percent above normal historical levels. As a result, the US power industry set a new record for power demand at 5.3 percent above the previous high which provided support for natural gas demand and prices throughout the continent. The weather driven demand in July continued into August with prices setting new records as continued high temperatures now combined with an early and devastating start to the hurricane season when Katrina hit the Gulf Coast during the last week of August. The resulting loss of production combined with ongoing high cooling demand significantly reduced additional storage injections. This limited ability to refill storage all but eliminated the gas storage surplus present during the second quarter. September began with several more weeks of heat before the nearly three months of above normal temperatures finally settled back to near seasonal averages. However, pricing continued upward as the severity of the infrastructure damage caused by hurricane Katrina impacted the market. Strong demand and uncertainty over supply maintained prices until September 19th when hurricane Rita began moving toward the producing region of the Gulf of Mexico once again. The subsequent loss of more Gulf production and physical flooding of the "Henry Hub" market center set new market natural gas price records by month end.

The Canadian gas prices which Progress production is indexed off of clearly benefited from the US based NYMEX gas price increases through the Quarter. Canadian prices were subject to an ever increasing basis discount as physical demand in Alberta (AECO) and British Columbia (Station #2) lagged behind that of the NYMEX gas.

For the third straight quarter, crude oil prices closed with a record high for West Texas Intermediate ("WTI") and a near high for Edmonton Mixed Sweet. Ongoing demand for refined products and continued inventory uncertainty were elevated through the Quarter as oil production was significantly effected by hurricanes Katrina and Rita. Market demand also remained strong due to the effects of fuel switching as natural gas prices peaked. Canadian crude oil demand and prices increased throughout the Quarter as Edmonton Mixed Sweet crude that began July relatively equal to NYMEX WTI at Cushing Oklahoma finished the Quarter selling at a premium.

Commodity Prices

For the Quarter and nine months ended September 30, 2005, Progress realized the following commodity prices compared to the same periods in 2004:

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Average Benchmark Prices				
Natural gas – AECO (daily) (\$/mcf)	9.29	6.21	7.85	6.54
Natural gas – AECO (monthly) (\$/mcf)	8.17	6.66	7.41	6.69
Crude oil – WTI (US\$/bbl)	63.19	43.88	55.40	39.11
Crude oil – Edmonton par price (Cdn\$/bbl)	76.54	56.15	67.94	50.81
Exchange rate (Cdn\$/US\$)	0.8323	0.7650	0.8169	0.7529
Average Realized Prices				
Natural gas - before hedging (\$/mcf)	9.33	6.94	8.25	6.96
Hedge settlements (\$/mcf)	(0.23)	0.20	0.06	0.08
Amortization of hedge premiums (\$/mcf)	(0.01)	(0.02)	(0.02)	(0.04)
Amortization of commodity sales contract (\$/mcf) ¹	0.02	0.03	0.02	0.04
Change in fair value of financial instruments (\$/mcf)	-	(0.16)	-	(0.07)
Natural gas - after hedging (\$/mcf)	9.11	6.99	8.31	6.97
Crude oil - before hedging (\$/bbl)	72.66	53.35	65.56	48.92
Hedge settlements (\$/bbl)	-	(5.75)	-	(4.29)
Amortization of hedge premiums (\$/bbl)	-	(0.29)	-	(0.21)
Crude oil - after hedging (\$/bbl)	72.66	47.31	65.56	44.42
Natural gas liquids (\$/bbl)	62.68	45.09	55.10	43.25

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.

Risk Management

The Trust has entered into several natural gas financial and physical 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 loss of \$1.8 million (2004 - \$2.0 million net loss, consisting of hedging charges of \$1.4 million for crude oil and \$0.6 million for natural gas, including changes in the fair value of ineffective hedges), which is included in petroleum and natural gas revenue on the statements of earnings. For the nine months ended September 30, 2005, the Trust's natural gas price risk management program had a net gain of \$0.8 million (2004 - \$3.2 million net loss, consisting of hedging charges of \$2.8 million for crude oil and \$0.4 million for natural gas, including changes in the fair value of ineffective hedges).

The Trust's hedging activities are conducted pursuant to the Trust's Risk Management Policy approved by the Board of Directors. 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 fully described in Note 13 in the unaudited consolidated financial statements attached. The Trust currently has natural gas financial and physical contracts in place for the following production volumes:

	Contract Natural Gas Volumes (<i>'000 gjj/d</i>)	% of Estimated Production Before Royalties
Fourth quarter of 2005	40.0	40
First quarter of 2006	40.0	40

Revenue

For the Quarter, petroleum and natural gas revenue increased 37 percent to \$93.4 million from \$68.3 million for the same period in 2004 due to increased commodity prices. Production revenue before hedging for the Quarter consisted of \$69.3 million from natural gas sales, \$18.3 million from crude oil sales and \$7.4 million from the sale of natural gas liquids.

For the nine months ended September 30, 2005, revenues increased 85 percent to \$255.6 million from \$137.9 million for the same period in 2004 primarily due to higher production volumes as a result of the Cequel acquisition as well as higher commodity prices, partially offset by the transfer of assets to ProEx.

For the Quarter and nine months ended September 30, 2005, petroleum and natural gas sales revenue was made up of the following balances compared to the same period in 2004:

<i>(\$ thousands)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Natural gas sales	69,349	52,231	183,516	102,570
Crude oil sales	18,275	12,146	49,835	30,666
Natural gas liquids sales	7,380	4,966	20,957	7,340
Hedge settlements	(1,709)	210	1,217	(1,446)
Amortization of hedge premiums	(82)	(204)	(415)	(714)
Amortization of a commodity sales contract ¹	159	189	491	581
Change in the fair value of financial instruments ²	-	(1,239)	-	(1,075)
Petroleum and natural gas revenue	93,372	68,299	255,601	137,922

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.

2 Change in fair value of financial instrument of ineffective hedges or contracts that did not qualify for hedge accounting

Royalties

Royalty expense consists of royalties paid to provincial governments, freehold landowners and overriding royalty owners, net of credits received through the Alberta Royalty Tax Credit program. For the Quarter, royalties increased 38 percent to \$23.1 million from \$16.8 million for the same period in 2004 and for the nine months ended September 30, 2005 increased 88 percent to \$63.5 million from \$33.9 million in 2004 due to increased revenue. The Trust's average royalty rate percent (after removing the effects of hedging charges) for the Quarter was 24.3 percent compared to 24.2 percent in 2004. The year-to-date average royalty rate was 25.0 percent

compared to 24.1 percent in 2004. The higher royalty rate in 2005 is attributable to the increased gas weighting of the Trust's production, as the Trust's effective royalty rate on natural gas is higher than crude oil.

Management anticipates, based on current commodity prices, the average royalty rates for the remainder of 2005 will be approximately 26 percent; this increase is attributable to forecasted increased natural gas prices.

Operating Expenses

Operating expenses during the Quarter were \$9.2 million consistent with the same period in 2004 of \$9.3 million. For the nine months ended September 30, 2005, operating expenses increased 41 percent to \$27.6 million compared to \$19.7 million during the same period in 2004. The increase in operating expenses is mainly attributable to the increased production volumes associated with the Cequel acquisition. On a boe basis, operating expenses for the Quarter decreased two percent to \$5.70 from \$5.81 in the same period in 2004, while year-to-date operating expenses decreased five percent to \$5.70 from \$6.03 in the same period in 2004. The lower operating expense per boe year-to-date is mainly attributable to the Deep Basin properties acquired through the Cequel acquisition.

Management anticipates operating expense for the remainder of 2005 to be approximately \$5.70 per boe.

Transportation Expenses

Transportation expenses were \$3.1 million for the Quarter consistent to the same period in 2004 of \$3.2 million. For the nine months ended September 30, 2005, transportation expenses increased 16 percent to \$9.4 million compared to \$8.1 million during the same period in 2004. On a boe basis, transportation expenses during the Quarter decreased two percent to \$1.95 compared to \$1.98 for the same period in 2004, while year-to-date transportation expenses decreased 22 percent to \$1.94 compared to \$2.49 for the same period in 2004. The decrease in year-to-date transportation on a boe basis is mainly attributable to a decrease in the proportion of production from British Columbia. As a result of the Cequel acquisition the Trust's production in British Columbia went from representing approximately 55 percent of total production during the nine months ended September 30, 2004 to 33 percent for the same period in 2005. 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 Quarter and nine months ended September 30, 2005 compared to the same periods in 2004:

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Natural Gas Properties (\$/mcf)				
Sales price - before hedging	9.46	7.01	8.40	7.01
Hedging settlements	(0.21)	0.21	0.05	0.09
Amortization of hedge premiums	(0.01)	(0.02)	(0.02)	(0.04)
Change in fair value of financial instruments	-	(0.17)	-	(0.08)
Amortization of commodity sales contract	0.02	0.03	0.02	0.04
Royalties	(2.37)	(1.87)	(2.23)	(1.87)
Operating expenses	(0.87)	(0.85)	(0.87)	(0.91)
Transportation expenses	(0.33)	(0.36)	(0.33)	(0.48)
Operating netback – natural gas properties	5.69	3.98	5.02	3.76
Oil Properties (\$/bbl)				
Sales Price - before hedging	68.85	45.46	61.05	45.77
Hedging settlements	-	(2.22)	-	(3.29)
Amortization of hedge premiums	-	(0.11)	-	(0.16)
Royalties	(15.05)	(9.98)	(11.85)	(8.80)
Operating expenses	(7.78)	(9.14)	(7.63)	(8.65)
Transportation expenses	(1.81)	(0.62)	(1.80)	(2.18)
Operating netback – oil properties	44.21	23.39	39.77	22.69

General and Administrative Expenses

For the Quarter, general and administrative expenses net of overhead recoveries, (“G&A”) decreased 31 percent to \$1.3 million (\$0.83 per boe) compared to \$1.9 million (\$1.22 per boe) for the same period in 2004. The decrease in G&A in the Quarter is attributable to prior period marketing fee income associated with marketing of joint venture partner production. For the nine months ended September 30, 2005, G&A expenses increased 55 percent to \$5.5 million (\$1.14 per boe) from \$3.5 million (\$1.10 per boe) for the same period in 2004. The increase in the year-to-date G&A expense is due to the increase in full-time and contract staff required as a result of the increased size of the Trust’s operations due to the Cequel acquisition.

In conjunction with the Arrangement, the Trust entered into a Technical Services Agreement with ProEx where the Trust provides personnel and certain administrative and technical services in connection with the management, development, exploitation and operation of the assets of ProEx. 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 \$0.6 million and \$1.7 million for the nine months ended September 30, 2005.

The Trust capitalized approximately \$0.3 million of G&A during the Quarter and \$1.0 million for the nine months ended September 30, 2005. The majority of these costs represent geological and geophysical salaries.

Management anticipates G&A expense to average approximately \$1.20 per boe for the remainder of 2005.

Unit Based Compensation Expenses

For the Quarter, unit based compensation expenses relating to the performance unit incentive plan was \$1.0 million (\$0.62 per boe) (2004 – nil). The Progress performance unit plan provides for employees and directors to be granted trust units and accumulated distributions over a three year performance period. 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. Progress’ performance unit incentive plan is fully described in Note 10 in the unaudited consolidated financial statements attached.

Interest and Financing Expenses

Interest and financing expenses during the Quarter increased 159 percent to \$2.9 million compared to \$1.1 million for the same period in 2004. Interest and financing expenses for the nine months ended September 30, 2005 increased 249 percent to \$7.9 million compared to \$2.3 million for the same period in 2004. The increase is primarily due to higher average debt levels due to the Arrangement, as well as interest, accretion and amortization of issue costs on the \$100 million principal amount of 6.75 percent convertible unsecured subordinated debentures (“the Debentures”) issued February 2, 2005. For a further discussion of the Debentures see the “Liquidity and Capital Resources” section below. The following summarizes the charges included in interest and financing expenses:

(\$ thousands)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2005	2004	2005	2004
Interest on bank debt	765	1,116	2,272	2,254
Interest on Debentures	1,694	-	4,454	-
Amortization of Debenture issue costs	209	-	546	-
Accretion on debt portion of Debentures ¹	226	-	588	-
Total interest and financing expense	2,894	1,116	7,860	2,254

¹ Under generally accepted accounting principles, 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.

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 10 percent to \$22.9 million from \$20.8 million for the same period in 2004. For the nine months ended September 30, 2005, DD&A increased 90 percent to \$68.7 million from \$36.2 million for the same period in 2004. The increase in the year-to-date DD&A is due to both higher production and a higher depletable base as a result of the Cequel acquisition, as well as, new accounting for exchangeable shares whereby the conversion of exchangeable shares result in a charge to property, plant and equipment and is depleted over time. On a boe basis DD&A year over year has increased due to the acquisition of Cequel and the inclusion of the Cequel assets at their fair market value, as well as, the accounting for exchangeable shares. DD&A per boe for the Quarter was \$14.26 compared to \$13.09 in 2004 and the nine months ended September 30, 2005 was \$14.17 compared to \$11.16 for the same period in 2004.

As a result of the Arrangement and new accounting for exchangeable shares, management expects depletion, depreciation and accretion per boe for the remainder of 2005 to be approximately \$14.50 per boe.

Income and Capital Taxes

Capital taxes were \$0.5 million for the Quarter and \$0.6 million during the same period in 2004 and \$1.6 million for the nine months ended September 30, 2005 and \$0.9 million for the same period in 2004. The increase is primarily attributable to the Cequel acquisition.

The provision for future income taxes for the Quarter increased to a recovery of \$1.0 million from a recovery of \$4.3 million in same period in 2004. For the nine months ended September 30, 2005 the provision for future income taxes decreased to a recovery of \$2.6 million from an expense of \$0.3 million in 2004. Included in the future income tax provision for the three and nine months ended September 30, 2005 is a recovery of \$2.4 million due to a reduction in the British Columbia provincial income tax rate during the period. The provision for the nine months ended September 30, 2005 also includes a charge of \$3.0 million due to adjustments relating to tax audits performed on tax returns for 2002 and 2003. 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. It is expected the Trust will not incur any cash income taxes in the future and as such the future tax liability recorded on the balance sheet will recover through future net earnings. The tax efficiency of Progress is contingent upon its status as a mutual fund trust under Canadian tax law and therefore may be subject to unanticipated legislative and/ or regulator modification.

Non-Controlling Interest - Exchangeable Shares

On March 8, 2005 the accounting abstract "Exchangeable Securities Issued by Subsidiaries of Income Trusts" was amended effective for financial statements issued on or after June 30, 2005. Under the amended abstract, exchangeable shares are presented as equity of the Trust only if the exchangeable shares are entitled to receive distributions of earnings economically equivalent to distributions received by units of the trust and the holders of exchangeable shares can only dispose of them by exchanging them for trust units. 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 and accumulated earnings as non-controlling interest with a corresponding increase to non-controlling interest on the consolidated balance sheet.

The following details the non-controlling interest activity for the nine months ended September 30, 2005 and 2004:

<i>(\$thousands, except unit amounts)</i>	Nine Months Ended September 30,			
	2005		2004	
	Number	Amount	Number	Amount
Balance, beginning of period	14,533,506	141,060	-	-
Issued for common shares	-	-	6,999,994	20,300
Issued on Cequel acquisition	-	-	9,000,000	126,369
Exchanged for trust units	(2,749,424)	(27,581)	(758,561)	(6,994)
Non-controlling interest expense		12,372		3,701
Balance, end of period	11,784,082	125,851	15,241,433	143,376

The charge to net earnings of \$12.4 million for 2005 and \$3.7 million for 2004 represents the net earnings attributable to the exchangeable shares over the period.

Net Earnings and Cash Flow

Net earnings increased 64 percent to \$25.2 million for the Quarter compared to \$15.3 million during the same period in 2004. The increase was primarily due to increased commodity prices. Basic and diluted net earnings for the Quarter were \$0.36 per unit compared to \$0.24 per unit during the same period in 2004.

Net earnings for the nine months ended September 30, 2005 increased 129 percent to \$59.5 million from \$26.0 million during the same period in 2004. The increase was due to higher commodity prices, the Cequel acquisition and the reorganization into a trust which reduced Progress' expected future income tax expense. Basic net earnings for the nine months ended September 30, 2005 was \$0.87 per unit compared to \$0.59 per unit during the same period in 2004, while diluted net earnings for the nine months ended September 30, 2005 was \$0.86 per unit compared to \$0.58 per unit.

Cash flow increased 46 percent to \$53.2 million for the Quarter compared to \$36.3 million during the same period in 2004 due to higher commodity prices. Diluted cash flow for the Quarter was \$0.64 per unit compared to \$0.45 per unit during the same period in 2004.

Cash flow increased 103 percent to \$140.2 million for the nine months ended September 30, 2005 compared to \$69.1 million during the same period in 2004 due to higher production and commodity prices. Diluted cash flow was \$1.68 per unit compared to \$1.35 per unit.

Quarterly Financial Summary ^{1,2}

	Three Months Ended							
	Sept 30 2005	June 30 2005	Mar 31 2005	Dec 31 2004	Sept 30 2004	Jun 30 2004	Mar 31 2004	Dec 31 2003
<i>(\$ thousands, except per unit amounts)</i>								
Petroleum and natural gas revenue	93,372	83,222	79,007	76,767	68,299	38,811	30,812	28,370
Cash flow	53,215	44,466	42,511	41,344	36,355	17,833	14,928	13,390
Per unit diluted	0.64	0.53	0.52	0.50	0.45	0.49	0.41	0.39
Net earnings	25,159	16,840	17,527	18,196	15,324	4,464	6,247	4,293
Per unit basic	0.36	0.25	0.27	0.28	0.24	0.13	0.19	0.13
Per unit diluted	0.36	0.24	0.27	0.28	0.24	0.12	0.17	0.12

¹ The above amounts have been restated for changes in accounting policies related to asset retirement obligations, transportation expenses and non-controlling interest.

² Quarterly petroleum and natural gas revenue and cash flow increased in the first two quarters of 2004 primarily due to increased production due to successful drilling in British Columbia. For the third and fourth quarters of 2004 and the first and second quarters of 2005 petroleum and natural gas revenue and cash flow increased primarily due to the Cequel acquisition and successful drilling in the British Columbia core areas, partially offset by the transfer of assets to ProEx as part of the Arrangement. Petroleum and natural gas revenue and cash flow for the third quarter of 2005 increased due to strengthening commodity prices.

Capital Expenditures

During the Quarter, the Trust invested approximately \$24.5 million in net capital expenditures compared to \$12.1 million in the same period in 2004. For the nine months ended September 30, 2005 and in the same period in 2004, Progress invested approximately \$72.4 million in net capital expenditures.

(\$ thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Land acquisitions and retention	1,227	615	4,025	9,063
Geological and geophysical	785	484	2,310	6,784
Drilling and completions	18,795	8,903	47,031	38,712
Equipping and facilities	3,976	5,501	17,986	24,059
Net property acquisitions (dispositions)	(376)	(3,719)	55	(7,287)
Corporate assets	85	328	1,024	1,097
Total net capital expenditures	24,492	12,112	72,431	72,428

During the Quarter, Progress drilled 24 gross wells (12.9 net) with an 89 percent success rate. Ten gross wells (7.1 net) were drilled in the Deep Basin of northwest Alberta, ten wells (4.5 net) in northeast British Columbia and four wells (1.3 net) in south central Alberta including the Trust's first well into the Edmonton Sands play at Gilby as part of the increased capital program.

The Trust announced during the Quarter that it has increased its 2005 capital investment program to \$95.0 million from \$75.0 million. The additional capital will be invested in development projects that are anticipated to increase reserves and add incremental production of approximately five percent in 2006. The Trust's 2005 capital program is expected to be split approximately 65 percent to drilling and completions, 20 percent to facilities with the remaining 15 percent allocated to land and seismic expenditures. The Trust does not set a budget for property acquisitions.

Liquidity and Capital Resources

(\$ thousands)	September 30 2005	December 31 2004
Working capital deficiency	23,789	37,820
Bank debt	71,167	133,722
Convertible debentures	91,159	-
Total debt	186,115	171,542

On February 2, 2005 the Trust issued \$100 million principal amount of 6.75 percent convertible unsecured subordinated debentures for net proceeds of \$95.5 million. The 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. The Debentures mature on June 30, 2010 at which time they are due and payable. The net proceeds were used to reduce outstanding bank indebtedness.

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. This resulted in \$90.5 million being classified as debt and \$4.9 million being classified as equity. 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.

At September 30, 2005 the Trust had \$71.2 million outstanding on its credit facilities, \$91.1 million for the debt portion of the Debentures and a working capital deficiency of \$23.8 million, totaling \$186.1 million of total debt. The Trust currently has a \$200 million extendible revolving term credit facility and a \$15 million working capital credit facility with a syndicate of banks. The facilities are available on a revolving basis for a period of at least 364 days until May 30, 2006, 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 \$500 million fixed and floating charge debenture on the assets of the Trust and by a guarantee and subordination provided by Progress Energy Ltd. in respect of the Trust's obligations. The \$215 million borrowing base is subject to semi-annual review by the banks.

Bank debt decreased from \$133.7 million as at December 31, 2004 to \$71.1 million as at September 30, 2005. This decrease is primarily the result of the issuance of Debentures during the first quarter. The working capital deficiency of \$23.8 million at September 30, 2005 is lower than the December 31, 2004 deficiency of \$37.8 million, primarily due to lower capital spending in the Quarter compared the fourth quarter of 2004.

The Trust's investing activities in the Quarter and nine months ended September 30, 2005 primarily consists of expenditures on its capital program. Management anticipates that the Trust will continue to have adequate liquidity to fund future working capital and forecasted capital expenditures during 2005 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.

Distributable Cash and Distributions

Management monitors the Trust's distribution payout policy with respect to forecasted net cash flow, debt levels and capital expenditures. Progress expects to distribute approximately 60 to 70 percent of its annual cash flow to unitholders and retain the remaining cash flow for capital expenditures and debt repayment. 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 (77 percent in the Quarter), natural gas prices have a significant effect on its cash flow.

Distributable cash is not a measure under GAAP and there is no standard measure of distributable cash. Distributable cash, as presented, may not be comparable to similar measures presented by other trusts. Progress' initial cash distribution declared was \$0.14 per trust unit for the month of July 2004. The Trust has maintained this distribution to date.

	Nine Months Ended September 30 2005
<i>(\$ thousands, except per unit amounts)</i>	
Cash flow from operations before changes in non-cash working capital	140,192
Cash withheld to fund capital expenditures	(53,533)
Cash distributions declared	86,659
Accumulated cash distributions, beginning of period	55,705
Accumulated cash distributions, end of period	142,364
Cash distributions per unit ¹	1.26
Accumulated cash distributions per unit, beginning of period	0.84
Accumulated cash distributions per unit, end of period	2.10

¹ Cash distributions per trust unit reflect the sum of the per trust unit amounts paid monthly to unitholders.

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 1400, 440 – 2nd Avenue S.W., Calgary, Alberta, Canada T2P 5E9 or by e-mail at ir@progressenergy.com. This information is also accessible on the Trust’s web site at www.progressenergy.com.

OUTLOOK

Our strategy from the outset has been to sustain or modestly grow production and reserves per unit from internally generated opportunities. As we move into our second year of operation we will continue this disciplined approach by capturing growth opportunities on our nearly 600,000 acres of undeveloped land under our control and by being patient about acquisition opportunities.

In September, we announced a 26 percent increase in our 2005 capital investment program. The additional capital is being invested in development projects that are anticipated to increase reserves and add incremental production of approximately five percent or 1,000 boe per day. Production is expected to be in the range of 19,000 to 19,500 boe per day in the first quarter of 2006.

The outlook for commodity prices remains very strong while our cost structure remains low. We expect that our 2005 and 2006 capital programs will be funded from internal sources. Our balance sheet remains strong with debt to cash flow on target at less than one times and we have made cash distributions since inception in July 2004 totaling over \$140 million.

In September 2005, the federal government issued a discussion paper on the tax status and structure of income trusts seeking submissions by December 31, 2005. Progress continuously monitors regulatory changes and will be participating in a submission through an industry association.

On behalf of the Board of Directors,

(Signed) “Michael R. Culbert”

Michael R. Culbert
President & CEO
October 25, 2005

PROGRESS ENERGY TRUST

CONSOLIDATED BALANCE SHEETS

<i>(\$ thousands)</i>	September 30 2005	December 31 2004
	<i>(Unaudited)</i>	<i>(Audited)</i> <i>(Restated Note 2)</i>
ASSETS		
Current		
Cash and short-term investments	-	-
Accounts receivable	35,923	30,863
Prepaid expenses and deposits	5,311	4,370
	41,234	35,233
Property, plant and equipment <i>(Note 5)</i>	669,575	643,380
Goodwill <i>(Note 3)</i>	414,655	414,655
	1,125,464	1,093,268
LIABILITIES		
Current		
Accounts payable and accrued liabilities	49,987	56,978
Cash distributions payable	9,794	9,366
Current income taxes payable	5,242	6,709
	65,023	73,053
Bank debt <i>(Note 6)</i>	71,167	133,722
Convertible debentures <i>(Note 7)</i>	91,159	-
Commodity sales contract <i>(Note 13)</i>	1,603	2,094
Asset retirement obligations <i>(Note 8)</i>	18,400	16,065
Future income taxes	116,631	112,483
	363,983	337,417
NON-CONTROLLING INTEREST		
Exchangeable shares <i>(Notes 2 and 9)</i>	125,851	141,060
UNITHOLDERS' EQUITY		
Unitholders' capital <i>(Note 10)</i>	662,352	621,490
Convertible debentures <i>(Note 7)</i>	4,917	-
Contributed surplus <i>(Note 10)</i>	2,363	171
Accumulated earnings	108,361	48,835
Accumulated cash distributions	(142,363)	(55,705)
	635,630	614,791
	1,125,464	1,093,268

See accompanying notes to the consolidated financial statements

PROGRESS ENERGY TRUST
CONSOLIDATED STATEMENTS OF EARNINGS AND ACCUMULATED EARNINGS

(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
<i>(\$ thousands, except per unit amounts)</i>	2005	2004 <i>(Restated Note 2)</i>	2005	2004 <i>(Restated Note 2)</i>
REVENUE				
Petroleum and natural gas	93,372	68,299	255,601	137,922
Royalties	(23,136)	(16,750)	(63,528)	(33,850)
	70,236	51,549	192,073	104,072
EXPENSES				
Operating	9,160	9,255	27,636	19,667
Transportation	3,135	3,152	9,393	8,124
General and administrative	1,342	1,938	5,488	3,545
Unit based compensation	1,004	-	2,027	-
Interest and financing	2,894	1,116	7,860	2,254
Depletion, depreciation and accretion	22,934	20,834	68,698	36,237
Plan of arrangement <i>(Note 4)</i>	-	-	-	3,314
	40,469	36,295	121,102	73,141
Earnings before taxes and non-controlling interest	29,767	15,254	70,971	30,931
TAXES				
Capital taxes	543	571	1,629	935
Future income taxes <i>(Note 11)</i>	(1,011)	(4,342)	(2,556)	260
	(468)	(3,771)	(927)	1,195
Net earnings before non-controlling interest	30,235	19,025	71,898	29,736
Non-controlling interest – exchangeable shares <i>(Note 9)</i>	(5,076)	(3,701)	(12,372)	(3,701)
NET EARNINGS	25,159	15,324	59,526	26,035
Accumulated earnings, beginning of period	83,202	32,647	57,181	36,290
Retroactive application of change in accounting policy <i>(Note 2)</i>	-	-	(8,346)	(1,510)
Accumulated earnings, beginning of period, as restated	83,202	32,647	48,835	34,780
Plan of arrangement <i>(Note 4)</i>	-	(17,332)	-	(30,176)
Accumulated earnings, end of period	108,361	30,639	108,361	30,639
NET EARNINGS PER UNIT (\$) <i>(Note 10)</i>				
Basic	0.36	0.24	0.87	0.59
Diluted	0.36	0.24	0.86	0.58

See accompanying notes to the consolidated financial statements

PROGRESS ENERGY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
<i>(\$ thousands)</i>	2005	2004 <i>(Restated Note 2)</i>	2005	2004 <i>(Restated Note 2)</i>
Operating Activities				
Net earnings	25,159	15,324	59,526	26,035
Depletion, depreciation and accretion	22,934	20,834	68,698	36,237
Non-controlling interest – exchangeable shares <i>(Note 9)</i>	5,076	3,701	12,372	3,701
Convertible debentures accretion <i>(Note 7)</i>	225	-	588	-
Amortization of convertible debenture issue costs <i>(Note 7)</i>	209	-	546	-
Amortization of commodity sales contract	(159)	(189)	(491)	(581)
Unit based compensation expense <i>(Note 10)</i>	1,004	-	2,027	2,718
Asset retirement expenditures <i>(Note 8)</i>	(222)	(212)	(518)	(329)
Change in fair value of financial instruments	-	1,239	-	1,075
Future income taxes	(1,011)	(4,342)	(2,556)	260
	53,215	36,355	140,192	69,116
Changes in non-cash working capital <i>(Note 12)</i>	(11,387)	9,386	(8,545)	11,226
	41,828	45,741	131,647	80,342
Financing Activities				
Increase (decrease) in bank debt	3,995	(2,769)	(62,555)	39,454
Issue of convertible debentures <i>(Note 7)</i>	-	-	100,000	-
Convertible debenture issue costs <i>(Note 7)</i>	-	-	(4,515)	-
Cash distributions	(29,051)	(18,407)	(86,231)	(18,407)
Issue of units	-	2,993	-	8,403
Unit issue costs	-	(1,997)	-	(2,001)
Plan of arrangement <i>(Note 4)</i>	-	-	-	(21,943)
Deferred plan of arrangement costs	-	3,350	-	-
Changes in non-cash working capital <i>(Note 12)</i>	-	(966)	-	5,103
	(25,056)	(17,796)	(53,301)	10,609
Investing Activities				
Deferred plan of arrangement costs	-	3,350	-	-
Corporate acquisition <i>(Note 3)</i>	-	(1,597)	-	(1,597)
Capital expenditures	(24,492)	(12,112)	(72,431)	(72,428)
Changes in non-cash working capital <i>(Note 12)</i>	7,720	5,821	(5,915)	6,481
	(16,772)	(4,538)	(78,346)	(67,544)
Change in cash and short term investments	-	23,407	-	23,407
Cash and short-term investments, beginning of period	-	-	-	-
Cash and short-term investments, end of period	-	23,407	-	23,407

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 Trust was established as part of a Plan of Arrangement (the “Arrangement”) that became effective on July 2, 2004.

The Arrangement gave effect to the transaction contemplated by the agreement entered into on May 28, 2004 by Progress Energy Ltd. and Cequel Energy Inc. (“Cequel”) under which the two companies combined to create the Trust and two separate, publicly-listed, exploration-focused companies, ProEx Energy Ltd. (“ProEx”) and Cyries Energy Inc. (“Cyries”). The reorganization resulted in Progress Energy Ltd. shareholders receiving one trust unit or exchangeable share of the Trust and 0.2 of a share of ProEx and Cyries and Cequel shareholders receiving 0.695 trust units or exchangeable shares of the Trust and 0.139 of a share in each of ProEx and Cyries.

The conversion of Progress Energy Ltd. to a Trust has been accounted for as a continuity of interest. Accordingly, the consolidated financial statements for 2005 and 2004 reflect the financial position, results of operations and cash flows as if the Trust had always carried on the business formerly carried on by Progress Energy Ltd. The nine months ended September 30, 2004 reflect the results of operations and cash flows of Progress Energy Ltd. and its subsidiaries for the period January 1 to July 1, 2004 and the results of operations and cash flows of the Trust and its subsidiary for the period July 2 to September 30, 2004. Due to the conversion into an energy trust, certain information included in the financial statements for prior periods may not be directly comparable.

The principal undertaking of the Trust is to indirectly explore for, develop and hold 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. Under the Trust Indenture, the Trust may declare payable to unitholders all or any part of the income of the Trust. The income of the Trust 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 from operations before changes in non-cash working capital each period, as adjusted on a discretionary basis, for cash withheld to fund capital expenditures.

Relationship with ProEx Energy Ltd.

In conjunction with the Arrangement, the Trust entered into a technical services agreement (“Technical Service Agreement”) with ProEx where the Trust provides personnel and certain administrative and technical services in connection with the management, development, exploitation and operation of the assets of ProEx. As contemplated in the Arrangement, 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 and nine months ended September 30, 2005 was \$0.6 million and \$1.7 million, respectively (2004 – \$0.2 million).

As at September 30, 2005, accounts payable included \$1.8 million (2004 – \$2.2 million) payable to ProEx which includes standard joint venture amounts including revenue. These amounts were paid subsequent to September 30, 2005.

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, 2004 other than 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, 2004.

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 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

Exchangeable Securities – Non-Controlling Interest

On March 8, 2005 the accounting abstract "Exchangeable Securities Issued by Subsidiaries of Income Trusts" was amended effective for financial statements issued on or after June 30, 2005. Under the amended abstract, exchangeable shares are presented as equity of the Trust only if the exchangeable shares are entitled to receive distributions of earnings economically equivalent to distributions received by units of the trust and the holders of exchangeable shares can only dispose of them by exchanging them for trust units. The exchangeable shares of the Trust's subsidiary trade on the Toronto Stock Exchange, 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.

In accordance with the transitional provisions of the abstract, the Trust has retroactively restated prior periods dating back to the Arrangement dated July 2, 2004. As a result of this change in accounting policy, the Trust has reflected a non-controlling interest on the consolidated balance sheet of \$125.6 million as at September 30, 2005 and \$141.1 million as at December 31, 2004. Each redemption of exchangeable shares held by previous Progress Energy Ltd. shareholders are accounted for as a step-purchase resulting in an increase to property, plant and equipment, an increase to unitholders' capital and an increase in the Trust's future income tax liability. Cash flow was not impacted by this change. The non-controlling interest activity for the nine months ended September 30, 2005 and 2004 is disclosed in note 9. The effect of the adoption on previously reported amounts is as presented below as increases (decreases):

Balance Sheet	December 31 2004
Property, plant and equipment	9,765
Future income taxes	3,367
Non-controlling interest – exchangeable shares	141,060
Unitholders' Capital	6,911
Exchangeable Shares	(133,226)
Accumulated earnings	(8,346)

Statement of Earnings	Three and Nine Months Ended September 30 2004	Year Ended December 31 2004
Depletion, depreciation and accretion	189	586
Future income taxes	(65)	(202)
Non-controlling interest	3,701	7,962
Net earnings	(3,825)	(8,346)
Net earnings per unit		
Basic	(0.01)	(0.02)
Diluted	-	(0.01)

3. ACQUISITION OF CEQUEL ENERGY INC.

Under the Arrangement, Progress Energy Ltd. and Cequel amalgamated to create the Trust and two exploration-focused companies, ProEx and Cyries. The transaction was accounted for as a business combination with Progress being deemed the acquirer of Cequel, net of the assets acquired by Cyries. The consideration offered was 0.695 of a trust unit for each Cequel share resulting in 45,911,352 trust units and exchangeable shares being issued. The value of the transaction was \$646.2 million, including \$1.6 million of acquisition costs. The results of Cequel have been included in these consolidated financial statements from the date of acquisition. The transaction has been allocated as follows:

Net assets acquired ¹	
Property, plant and equipment	387,276
Goodwill	405,655
Working capital deficiency	(11,079)
Bank debt	(44,473)
Asset retirement obligations	(6,670)
Future income taxes	(84,471)
Total net assets acquired	646,238
Consideration	
Trust units issued	518,272
Exchangeable shares issued	126,369
Acquisition costs	1,597
Total purchase price	646,238

¹ Pursuant to the Arrangement, assets acquired by Cyries from Cequel were accounted for prior to Progress acquiring Cequel. As a result, the acquisition of Cequel is net of the assets acquired by Cyries.

4. PLAN OF ARRANGEMENT

On July 2, 2004, pursuant to the Arrangement, Progress Energy Ltd. transferred to ProEx certain prospective natural gas weighted assets and undeveloped land at their net book value. A future tax liability has been recorded as a result of transferring tax pools of \$32.5 million, which were in excess of the net book value of \$24.6 million. The details are as follows:

Petroleum and natural gas properties	26,377
Future income tax assets	2,768
Asset retirement obligations	(1,813)
Total assets transferred	27,332
Bank indebtedness assumed	(10,000)
Net assets transferred and reduction in accumulated earnings	17,332
Plan of arrangement costs, net of income tax benefit of \$7,101	12,844
Total Plan of Arrangement and reduction in accumulated earnings	30,176

In accordance with the Arrangement, all outstanding stock options of Progress Energy Ltd. vested and Progress Energy Ltd. accepted the holders' put right thereby settling the options for cash in the amount of \$21.9 million. The after tax value of the cash settlement, net of \$3.0 million of contributed surplus relating to the options, resulted in a charge of \$12.8 million to accumulated earnings. As a result, the remaining unamortized stock based compensation cost relating to options granted after 2002 of \$2.5 million was charged to earnings. The Trust also incurred \$0.8 million of severance costs, which together with the stock based compensation expense, have been included in plan of arrangement expense on the consolidated statement of earnings and accumulated earnings.

5. PROPERTY, PLANT AND EQUIPMENT

	September 30 2005	December 31 2004
Property, plant and equipment	827,237	752,846
Conversion of exchangeable shares	29,794	10,351
Accumulated depletion and depreciation	(187,456)	(119,817)
Property, plant and equipment	669,575	643,380

As described in note 2, the redemption of exchangeable shares held by previous Progress Energy Ltd. shareholders are accounted for as a step-purchase. Consequently a charge of \$19.4 million was made to property, plant and equipment for the nine months ended September 30, 2005. The property, plant and equipment balance at December 31, 2004 has been restated as a result of this new accounting by a charge of \$10.4 million.

The calculation of 2005 depletion and depreciation expense included an estimated \$10.9 million for future development costs associated with proven undeveloped reserves and excluded \$23.7 million for the estimated future net realizable value of production equipment and facilities and \$63.2 million for the estimated value of unproven properties. Depletion and depreciation expense for the three and nine months ended September 30, 2005 was \$22.5 million and \$67.6 million, respectively (2004 - \$20.5 million and \$37.1 million).

Included in the Trust's property, plant and equipment balance is \$10.5 million, net of accumulated depletion, related to asset retirement obligations (\$16.1 million before accumulated depletion) (Refer to note 8).

The Trust capitalized approximately \$1.1 million of geological and geophysical compensation costs associated with the exploration and development of capital assets during the nine months ended September 30, 2005 (\$1.2 million in 2004)

6. BANK DEBT

	September 30 2005	December 31 2004
Direct advances	3,167	1,222
Banker's acceptances	68,000	132,500
Total bank debt	71,167	133,722

The Trust's credit facilities totaling \$215 million are with a syndicate of banks consisting of a \$200 million extendible revolving term credit facility and a \$15 million working capital credit facility. The facilities are available on a revolving basis for a period of at least 364 days until May 30, 2006, 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 nine months ended September 30, 2005 was 4.1 percent. The credit facilities are secured by a \$500 million 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 \$215 million borrowing base is subject to semi-annual review by the banks.

7. CONVERTIBLE DEBENTURES

On February 2, 2005 the Trust issued \$100 million principal amount of 6.75 percent convertible unsecured subordinated debentures (the "Debentures") for net proceeds of \$95.5 million. The 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. The Debentures mature on June 30, 2010 at which time they are due and payable. The Trust may elect to satisfy the interest and principal obligations of the Debentures by the issuance of Trust Units. The net proceeds were used to reduce outstanding bank indebtedness.

The Debentures have been classified as debt net of the fair value of the conversion feature at the date of issue which has been classified as part of unitholders' equity and net of issue costs. 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 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 following table sets forth a reconciliation of the Debenture activity:

	Nine Months Ended September 30 2005
Debt portion on February 2, 2005	90,541
Accretion	588
Amortization of issue costs	546
Conversions to Trust Units	(516)
Debt portion, end of period	91,159
Equity portion on February 2, 2005	4,944
Conversions to Trust Units	(27)
Equity portion, end of period	4,917
Total debentures, end of period	96,076

Total interest charged to earnings for the three months ended September 30, 2005 was \$2.1 million which includes \$0.2 million of debenture accretion and \$0.2 million of amortized issue costs.

Total interest charged to earnings for the nine months ended September 30, 2005 was \$5.6 million which includes \$0.6 million of debenture accretion and \$0.5 million of amortized issue costs.

8. 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 \$45.6 million which will be incurred over the next 43 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:

	Nine Months Ended September 30	
	2005	2004
Balance, beginning of period	16,065	11,778
Liabilities incurred	1,794	588
Liabilities settled	(518)	(329)
Acquisitions	-	6,670
Dispositions	-	(3,811)
Accretion expense	1,059	764
Balance, end of period	18,400	15,660

9. NON-CONTROLLING INTEREST – EXCHANGEABLE SHARES

The Trust retroactively applied the amended accounting abstract "Exchangeable Securities issued by a Subsidiary of an Income Trust" whereby the exchangeable shares issued by the Trust's subsidiary must be reflected as non-controlling interest on the consolidated balance sheet and in turn, net earnings must be reduced by the amount of net earnings attributed to the non-controlling interest.

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 shareholders at the time of the Arrangement, 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.

The activity for non-controlling interest for the nine months ended September 30, 2005 and 2004 is as follows:

	Nine months ended September 30			
	2005		2004	
	Number	Amount	Number	Amount
Balance, beginning of period	14,533,506	141,060	-	-
Issued for common shares	-	-	6,999,994	20,300
Issued on Cequel acquisition (<i>Note 3</i>)	-	-	9,000,000	126,369
Exchanged for trust units	(2,749,424)	(27,581)	(758,561)	(6,994)
Non-controlling interest expense		12,372		3,701
Balance, end of period	11,784,082	125,851	15,241,433	143,376

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.

10. UNITHOLDERS' CAPITAL

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 of the Trust in the event of termination or winding-up of the Trust. All trust units are of the same class with equal rights and privileges.

Trust Units

	Nine months ended September 30			
	2005		2004	
	Number	Amount	Number	Amount
Trust Units				
Balance, beginning of period	66,898,498	621,490	-	-
Issued for common shares	-	-	28,238,061	81,869
Issued on Cequel acquisition (Note 3)	-	-	36,911,352	518,272
Issued for cash	-	-	250,003	2,993
Exchangeable shares converted	3,021,978	40,320	764,520	10,448
Issued on conversion of Convertible Debentures	35,932	542	-	-
Unit issue costs		-		(1,997)
Balance, end of period	69,956,408	662,352	66,163,936	611,585

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 September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Weighted average trust units - basic	69,281,384	65,018,075	68,563,927	44,567,535
Trust units issuable on conversion of exchangeable shares ¹	14,248,104	15,837,240	14,994,612	5,317,613
Performance units	170,642	-	102,394	-
Stock options	-	-	-	903,652
Warrants	-	-	-	617,004
Weighted average trust units - diluted	83,700,130	80,855,315	83,660,933	51,405,804

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 \$5.1 million and \$12.4 million for the three and nine months ended September 30, 2005 (2004 - \$3.7 million for both the three and nine months ended September 30, 2004) 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 and nine months ended September 30, 2005.

Performance Unit Incentive Plan

In conjunction with the Arrangement, the Trust 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 ("PUIP's") shall be granted by the Board of Directors of Progress Energy Ltd. from time to time at its sole discretion. The PUIP's 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 PUIP's granted. Over the three year term the PUIP's will attract distributions. The Trust expects to pay out the distribution portion in cash while the units earned will be issued from treasury.

On December 2, 2004 the Board of Directors of Progress Energy Ltd. granted 395,267 PUIP's retroactive to July 2, 2004. As a result, the fair value of the PUIP's granted, calculated using a performance factor of 1.0, was approximately \$5.3 million of which \$4.7 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.

On September 8, 2005 the Board of Directors of Progress Energy Ltd. granted 507,000 PUIP's retroactive to July 2, 2005. The fair value of the PUIP's using a performance factor of 1.0 was approximately \$8.0 million of which \$6.9 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.

For the three and nine months ended September 30, 2005 \$1.0 million and \$2.1 million (2004 – nil) was charged to unit based compensation expense and \$0.2 million (2004 – nil) was capitalized relating to the total PUIP's outstanding.

The following table reconciles the Trust's contributed surplus:

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Balance, beginning of period	1,194	-	171	246
Unit based compensation expense	1,004	-	2,027	2,718
Unit based compensation capitalized	165	-	165	-
Options exercised	-	-	-	(10)
Options settled for cash	-	-	-	(2,954)
Balance, end of period	2,363	-	2,363	-

11. TAXES

Included in the future income tax provision for the three and nine months ended September 30, 2005 is a recovery of \$2.4 million due to a reduction in the British Columbia provincial income tax rate during the period. The future income tax provision for the nine months ended September 30, 2005 also includes a charge of approximately \$3.0 million due to adjustments relating to tax audits performed on tax returns for 2002 and 2003.

12. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Accounts receivable	(12,174)	23,342	(5,060)	15,346
Prepaid expenses and deposits	(602)	584	(941)	412
Accounts payable	10,354	(10,689)	(6,992)	6,048
Current income taxes payable	(1,245)	1,004	(1,467)	1,004
Change in non-cash working capital	(3,667)	14,241	(14,460)	22,810
Relating to:				
Financing activities	-	(966)	-	5,103
Investing activities	7,720	5,821	(5,915)	6,481
Operating activities	(11,387)	9,386	(8,545)	11,226

Interest and taxes paid

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Interest paid	812	1,382	5,043	2,487
Income and other taxes paid	1,788	(260)	2,768	301

13. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The Trust's financial instruments recognized on the balance sheet consists of accounts receivable, accounts payable and accrued liabilities, bank debt and convertible debentures. The fair value of these instruments, excluding the convertible debentures, 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 September 30, 2005 was approximately \$116.9 million.

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 September 30, 2005, the Trust's natural gas price risk management program had a net loss of \$1.8 million (2004 - \$2.0 million net loss, consisting of hedging charges of \$1.4 million for crude oil and \$0.6 million for natural gas), which is included in petroleum and natural gas revenue on the statements of earnings. For the nine months ended September 30, 2005, the Trust's natural

gas price risk management program had a net gain of \$0.8 million (2004 – \$3.2 million net loss, consisting of hedging charges of \$2.8 million for crude oil and \$0.4 million for natural gas).

Contracts outstanding in respect to financial instruments are as follows:

Contract ¹	Volume	Pricing Point	Strike Price \$/gj	Cost/ Premium	Term
Natural Gas					
Costless collar	5,000 gj/d	AECO	Cdn\$6.25 – Cdn\$7.25	n/a	Apr 01/05 – Oct 31/05
Collar	15,000 gj/d	AECO	Cdn\$6.25 – Cdn\$7.50	Cdn\$0.05/gj	Apr 01/05 – Oct 31/05
Collar	15,000 gj/d	AECO	Cdn\$6.25 – Cdn\$7.40	Cdn\$0.01/gj	Apr 01/05 – Oct 31/05
Costless collar	5,000 gj/d	AECO	Cdn\$7.50 – Cdn\$9.80	n/a	Nov 01/05 – Mar 31/06
Costless collar	5,000 gj/d	AECO	Cdn\$7.50 – Cdn\$9.75	n/a	Nov 01/05 – Mar 31/06
Costless collar	5,000 gj/d	AECO	Cdn\$7.75 – Cdn\$9.50	n/a	Nov 01/05 – Mar 31/06
Costless collar	5,000 gj/d	AECO	Cdn\$8.00 – Cdn\$9.55	n/a	Nov 01/05 – Mar 31/06
Costless collar	5,000 gj/d	AECO	Cdn\$8.35 – Cdn\$9.75	n/a	Nov 01/05 – Mar 31/06
Costless collar	5,000 gj/d	AECO	Cdn\$8.30 – Cdn\$9.85	n/a	Nov 01/05 – Mar 31/06

¹ Collar strike price indicates minimum floor and maximum ceiling

The estimated fair value of the natural gas collars that qualify for hedge accounting was a loss of \$20.4 million as at September 30, 2005 and represents the amount the Trust would pay to terminate the contracts at September 30, 2005. These instruments have no carrying value recorded in the financial statements.

Physical Gas Sales Contracts

The Trust also enters into physical gas sales contracts from time to time under its risk management policy for the purpose of protecting its cash flow from operations before changes in non-cash working capital from the volatility of natural gas prices.

Contracts outstanding in respect to physical gas sales contracts were as follows:

Contract	Volume	Pricing Point	Strike Price \$/gj	Cost/ Premium	Term
Natural Gas					
Costless collar	5,000 gj/d	AECO	Cdn\$6.25 – Cdn\$7.25	n/a	Apr 01/05 – Oct 31/05
Costless collar	5,000 gj/d	AECO	Cdn\$7.55 – Cdn\$9.85	n/a	Nov 01/05 – Mar 31/06
Costless collar	5,000 gj/d	AECO	Cdn\$8.00 – Cdn\$9.55	n/a	Nov 01/05 – Mar 31/06

Commodity Sales Contract

The following physical gas sales contract was outstanding at September 30, 2005. 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 September 30, 2005 the unamortized remaining liability was \$1.6 million.

Volume	Pricing Point	Progress Price	Term
1,000 gj/d	AECO	\$2.06/gj in 2005 escalating at 2.5% annually	Jun 1/97 – Oct 31/08

SELECTED QUARTERLY INFORMATION

FINANCIAL HIGHLIGHTS

(\$ thousands except per unit amounts)	Three Months Ended						
	2004				2005		
	March 31	June 30	Sept 30	Dec 31	March 31	June 30	Sept 30
Income Statement							
Petroleum and natural gas revenue	30,812	38,811	68,299	76,767	79,007	83,222	93,372
Cash flow ¹	14,928	17,833	36,355	41,344	42,511	44,466	53,215
Per unit - diluted	0.41	0.49	0.45	0.50	0.52	0.53	0.64
Cash distributions declared			27,670	28,035	28,574	28,874	29,210
Per trust unit			0.42	0.42	0.42	0.42	0.42
Net earnings	6,247	4,464	15,324	18,196	17,527	16,840	25,159
Per unit - basic	0.19	0.13	0.24	0.28	0.27	0.25	0.36
Per unit - diluted	0.17	0.12	0.24	0.28	0.27	0.24	0.36
Payout Ratio							
Excluding exchangeable shares			76%	68%	67%	65%	55%
Including exchangeable shares			94%	83%	81%	79%	66%
Balance Sheet							
Capital Expenditures	43,702	16,615	12,112	33,993	34,380	13,559	24,492
Total debt	82,252	106,061	151,580	171,543	187,312	185,708	186,115
Unitholders' equity	140,224	134,816	614,554	614,791	632,700	623,308	635,630
Trust Units (thousands except where otherwise stated)							
Units outstanding, end of period	33,939	35,238	66,164	66,898	68,646	68,820	69,956
Units issuable for exchangeable shares			15,575	15,291	13,992	14,281	13,601
Total units outstanding and issuable for exchangeable shares, end of period	33,761	34,156	81,739	82,189	82,638	83,101	83,557
Weighted average units – diluted ²			81,016	81,979	82,485	83,176	83,700
Exchange ratio, end of period			1.02188	1.05215	1.08438	1.12038	1.15421
Trust Unit Trading Statistics (\$)							
High			15.09	15.81	14.50	13.79	17.82
Low			12.12	12.95	12.52	11.90	13.07
Closing			14.95	13.52	13.38	13.03	17.61
Unit volume traded (thousands)			46,567	18,774	17,788	11,544	19,159
Exchangeable Shares Trading Statistics (\$)							
High			15.25	16.00	15.85	15.50	20.62
Low			13.00	13.55	13.96	13.27	15.00
Closing			15.25	14.11	14.60	14.96	19.26
Share volume traded (thousands)			272	95	1,460	290	613

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						
	2004				2005		
	March 31	June 30	Sept 30	Dec 31	March 31	June 30	Sept 30
Daily Production							
Natural gas (mcf/d)	34,805	44,809	81,783	86,998	84,523	79,236	80,804
Crude oil (bbls/d)	2,227	2,160	2,475	2,475	2,550	3,067	2,734
Natural gas liquids (bbls/d)	329	325	1,197	1,394	1,598	1,305	1,280
Total daily production (boe/d)	8,357	9,953	17,302	18,368	18,235	17,578	17,481
Average Realized Prices							
Natural gas - before hedging (\$/mcf)	6.66	7.17	6.94	7.32	7.31	8.12	9.33
Natural gas - after hedging (\$/mcf)	6.63	7.16	6.99	7.45	7.69	8.13	9.11
Crude oil - before hedging (\$/bbl)	44.15	48.75	53.35	55.69	59.44	64.20	72.66
Crude oil - after hedging (\$/bbl)	43.12	42.47	47.31	48.21	59.44	64.20	72.66
Natural gas liquids (\$/bbl)	36.33	43.40	45.09	48.24	47.82	56.41	62.68
Highlights (\$/boe)							
Weighted average sales price	40.52	42.85	42.91	45.42	48.14	52.02	58.06
Royalties	9.39	10.99	10.52	11.58	11.78	13.16	14.39
Operating expenses	6.36	6.15	5.81	5.55	5.69	5.72	5.70
Transportation expenses	2.99	2.98	1.98	1.96	1.89	1.98	1.95
Operating Netbacks	21.78	22.73	24.60	26.33	28.78	31.16	36.02
General and administrative expense	1.29	0.69	1.22	1.14	1.23	1.33	0.83
Unit based compensation	-	-	-	0.10	0.31	0.32	0.62
Interest and financing expenses	0.66	0.69	0.70	0.69	1.26	1.80	1.80
Depletion, depreciation and accretion	8.97	9.47	13.09	13.57	14.05	14.19	14.26
Plan of arrangement expenses	-	3.69	-	-	-	-	-
Net earnings before taxes	10.86	8.19	9.59	10.83	11.93	13.52	18.51
Capital taxes	0.24	0.20	0.35	0.31	0.33	0.34	0.34
Future income taxes	2.41	3.06	(2.72)	(2.77)	(1.48)	0.55	(0.63)
Non-controlling interest – exchangeable shares	-	-	2.33	2.52	2.40	2.10	3.16
Net Earnings	8.21	4.93	9.63	10.77	10.68	10.53	15.64
Drilling Results							
Gross	28	5	10	21	24	8	24
Net – natural gas	14.9	2.5	6.2	6.9	9.9	3.3	9.6
Net – crude oil	2.4	2.0	0.0	2.6	1.2	0.0	1.9
Success Rate (percent)	79	83	100	100	89	78	89

CORPORATE INFORMATION

DIRECTORS

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

Donald F. Archibald ⁽¹⁾⁽⁴⁾
Chairman & CEO
Cyries Energy Inc.
Calgary, Alberta

John A. Brussa ⁽³⁾
Partner
Burnet, Duckworth and Palmer LLP
Calgary, Alberta

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

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

Michael R. Culbert
President & CEO
Progress Energy Ltd.
Calgary, Alberta

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

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

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

OFFICERS

David D. Johnson
Chairman

Michael R. Culbert
President & CEO

Steven A. Allaire
Senior Vice President

Greg W. Kist
Vice President Investor Relations

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

1400, 440 – 2nd Avenue S.W.
Calgary, Alberta T2P 5E9
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
Convertible Debentures – PGX.DB

SOLICITOR

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

AUDITOR

KPMG LLP
Calgary, Alberta

CONSULTING ENGINEERS

Gilbert Laustsen Jung
Associates Ltd.
Calgary, Alberta

INVESTOR RELATIONS

Greg Kist
Vice President, Investor Relations
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www.progressenergy.com