

## Progress Energy Third Quarter Operational and Financial Results

*Sustainability continues*

|   | Three Months Ended<br>September 30 |         | Nine Months Ended<br>September 30 |         |
|---|------------------------------------|---------|-----------------------------------|---------|
|   | 2007                               | 2006    | 2007                              | 2006    |
| <b>FINANCIAL HIGHLIGHTS</b>                                     |                                    |         |                                   |         |
| <b>Income Statement</b> (\$ thousands, except per unit amounts) |                                    |         |                                   |         |
| Petroleum and natural gas revenue                               | 88,480                             | 72,328  | 282,460                           | 235,335 |
| Cash flow <sup>1</sup>  | 48,085                             | 47,218  | 159,563                           | 140,726 |
| Per unit – diluted <sup>2</sup>                                 | 0.43                               | 0.54    | 1.54                              | 1.60    |
| Cash distributions declared <sup>3</sup>                        | 30,987                             | 31,625  | 84,910                            | 93,873  |
| Per unit  | 0.30                               | 0.42    | 0.90                              | 1.26    |
| <b>Payout Ratio</b>   |                                    |         |                                   |         |
| Excluding exchangeable shares <sup>3</sup>                      | 64%                                | 67%     | 53%                               | 67%     |
| Including exchangeable shares <sup>3</sup>                      | 73%                                | 78%     | 61%                               | 78%     |
| <b>Balance Sheet</b> (\$ thousands)                             |                                    |         |                                   |         |
| Working capital deficiency                                      | 26,968                             | 23,975  | 26,968                            | 23,975  |
| Bank debt   | 269,182                            | 47,663  | 269,182                           | 47,663  |
| Convertible debentures  | 121,528                            | 118,893 | 121,528                           | 118,893 |
| Total debt  | 417,678                            | 190,531 | 417,678                           | 190,531 |
| Capital expenditures <sup>4</sup>                               | 23,433                             | 30,875  | 122,868                           | 99,348  |
| Corporate acquisition <sup>5</sup>                              | -                                  | -       | 389,363                           | -       |
| <b>OPERATIONAL HIGHLIGHTS</b>                                   |                                    |         |                                   |         |
| <b>Average Daily Production</b>                                 |                                    |         |                                   |         |
| Natural gas (mcf/d)   | 120,804                            | 85,701  | 114,234                           | 84,799  |
| Crude oil (bbls/d)  | 2,268                              | 2,056   | 2,174                             | 2,251   |
| Natural gas liquids (bbls/d)                                    | 1,370                              | 1,327   | 1,411                             | 1,398   |
| Total daily production (boe/d)                                  | 23,772                             | 17,667  | 22,624                            | 17,783  |
| <b>Average Realized Prices</b>                                  |                                    |         |                                   |         |
| Natural gas (\$/mcf)  | 5.77                               | 6.30    | 6.99                              | 7.23    |
| Crude oil (\$/bbl)  | 78.77                              | 75.69   | 70.03                             | 70.50   |
| Natural gas liquids (\$/bbl)                                    | 62.91                              | 68.29   | 59.54                             | 64.77   |
| <b>Wells Drilled, Net</b>                                       | 9.3                                | 12.0    | 27.5                              | 44.5    |

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

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

(3) The 2007 distributions include \$1.8 million relating to the performance units that vested July 2, 2007.

(4) The nine months ended September 30, 2007 includes the acquisition of certain petroleum and natural gas assets in the Wapiti area on May 31, 2007 for \$40.9 million.

(5) Net of the disposition of assets to ProEx Energy Ltd.

Progress Energy Trust (“Progress” or “Trust”) generated quarterly cash flow from operations of \$48.0 million or \$0.43 per unit, diluted for the third quarter of 2007, as compared to \$47.2 million or \$0.54 per unit in the third quarter of 2006. Cash distributions declared totaled \$31.0 million or \$0.10 per trust unit resulting in a payout ratio of 64 percent excluding exchangeable shares which do not receive cash distributions. Production averaged 23,772 barrels of oil equivalent (boe) per day and capital investment for the quarter was \$23.4 million.

Year-to-date, Progress has made distributions of \$84.9 million and has invested \$90.5 million in its capital program, excluding acquisitions and dispositions. Cash flow from operations for the same period was \$159.6 million. The Company’s payout ratio is 53 percent year-to-date, excluding exchangeable shares and 61 percent including exchangeable shares.

“We remain committed to our strategy of sustainability measured on a per unit basis,” said Michael Culbert, President and Chief Executive Officer of Progress. “Although gas prices have weakened throughout the summer, we believe that reduced drilling activity in Western Canada and the slowing of drilling activity in the U.S. will help keep gas prices at levels where Progress’ combined cash distributions to unitholders and sustaining capital investment are roughly in balance with cash flow over the medium to longer term.”

### **Field activities ramping up**

“We currently have four rigs drilling on Progress operated wells and another two rigs drilling wells in which Progress has a working interest,” said Mr. Culbert. “It has been an unusually wet summer and fall in our operating areas and this has limited the number of wells and facility construction that we had originally planned. We believe the appropriate choice at this time is to not accelerate our program and catch up but rather maintain a steady pace of activity as we move into the winter drilling season. Our production profile has held in steady through this period of reduced activity and is currently in the range of 24,000 boe per day.”

Progress’ third quarter exploration and development program included the drilling of 17 gross wells (9.3 net) with a 100 percent commercial success rate. Field activity normally accelerates through the summer in the Foothills of northeast British Columbia and northwest Alberta as these areas become more accessible with dry ground conditions. However, this season, successive weather disturbances across these operating areas reduced field activities. Seven wells (4.8 net) were drilled in the Deep Basin, primarily on the Gold Creek and Wapiti properties with only one well tied-in as wet field conditions have limited construction.

Nine gross (3.7 net) wells were drilled in the Foothills of northeast British Columbia including three wells on the Bubbles property acquired in the second quarter of this year. Two of the three wells are currently on production at over one million cubic feet per day each while the third well awaits pipeline crews. Drilling will continue on the inventory-rich Bubbles property through the winter season. Two successful exploratory wells were drilled in the quarter, one west of Julienne and one south of Buckingham. These wells will require further delineation drilling to justify tie-ins as they are remote from infrastructure at this time. Development wells were drilled at Julienne, Dogrib and Sasquatch where the rigs will continue operations into the fourth quarter. In September, Progress participated in its first spud of a program of deeper Mississippian Debolt drills on the Green property. Results from this high impact test area are expected before year end.

In the Plains region of northeast British Columbia, just outside of Fort St. John, Progress drilled a horizontal test into the gas bearing Belloy formation. This well is currently on production flowing without compression at slightly more than 2 million cubic feet per day.

Progress is currently in the final planning stage for a proposed 200 square kilometer 3-D shoot in the Foothills in order to evaluate lands acquired late in 2006. Data from this shoot is expected to provide drilling locations for late 2008 and into 2009.

In the third quarter, Progress added over 4,500 acres of land in established fairways in the Foothills and Deep Basin regions. Land acquisition will continue along mapped or seismically identified trends as Progress

strengthens its position as a dominant player in its operating regions. In total, Progress controls approximately 600,000 acres of undeveloped lands.

### **Consistent production profile**

Daily production for the third quarter averaged 23,772 boe including 120.8 million cubic feet per day of natural gas and 3,638 barrels of light and medium oil and natural gas liquids. Third quarter production was 35 percent higher than the comparable quarter in 2006 as a result of the acquisition of producing assets in the Deep Basin and Foothills areas. Fourth quarter production is expected to average approximately 24,000 boe per day.

### **Alberta Royalty Review**

Progress Energy is an active exploration and development company with approximately 60 percent of its production in Alberta. The Company maintains a large, multi-year inventory of drilling opportunities in both Alberta and British Columbia. Progress' capital investment program is designed to yield strong returns through its low cost leadership and program repeatability. If the changes as proposed by the Alberta Royalty Review Panel are implemented, Progress will shift a substantial portion of its capital investment into British Columbia to capture opportunities which would yield higher, risk-adjusted economic returns than would be achieved in Alberta. We do however, have confidence that the Alberta government will take the time to understand the potential impact changes to the royalty system will have on activity levels and investor confidence before they arrive at a decision.

### **Premium to AECO**

The Trust's average gas price realization in the quarter was \$6.34 per mcf after hedging, as compared to \$7.63 per mcf for the comparable quarter in 2006. On a before hedging basis, the Trust's gas price realization was \$5.77. Progress' before hedging price realization represents a premium of approximately 12 percent to the average daily AECO index price of \$5.19 per mcf. The premium reflects the high heat content of the Trust's gas production.

In the short term, natural gas prices will be dictated by high levels of gas in storage and the impact of weather. Over the longer term, natural gas will become more integrated into a global market as a result of the growth in LNG capacity. LNG imports to the U.S. are likely to act as a counterbalance to reduced natural gas supply flowing from Canada. The supply/demand balance is expected to remain tight and relatively volatile with the impact of weather being a key determinant of demand.

### **Financial strength**

Organic capital investment in the third quarter was \$31.7 million and \$90.5 million for the nine months ended September 30, 2007. Capital expenditures are forecast at approximately \$130 million for 2007 which reflects the slower pace of activity related to the wet field conditions experienced in the second and third quarter.

Progress' total debt-to-12-month trailing cash flow was 2.0 times as at September 30, 2007. The Company has a \$375 million credit facility of which \$106 million was unutilized at quarter end. Progress' total debt includes approximately \$121.5 million of convertible debentures which mature in 2010 and 2011. The Company's financial position also includes tax pools in excess of \$1 billion which will help to shield income well beyond 2011 when the taxation of trust distributions is expected to be implemented.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis ("MD&A") of financial results is dated October 24, 2007 and is to be read in conjunction with the accompanying unaudited consolidated interim financial statements and related notes for the period ended September 30, 2007 and the audited consolidated financial statements and related notes and MD&A of Progress Energy Trust ("Progress" or the "Trust") for the year ended December 31, 2006. The financial data presented has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting and the measurement currency is the Canadian dollar.

**Non-GAAP Measurements** Management uses cash flow from operations (before changes in non-cash working capital) ("cash flow") to analyze operating performance and leverage. Cash flow as presented does not have any standardized meaning prescribed by Canadian GAAP and therefore it may not be comparable with the calculation of similar measures for other entities. Cash flow as presented is not intended to represent operating profit for the period nor should it be viewed as an alternative to operating profit, net earnings or other measures of financial performance calculated in accordance with Canadian GAAP. The reconciliation between cash flow, as defined above, and cash flow from operations after changes in working capital for the three and nine months ended September 30, 2007 and 2006 is as follows:

| (\$ thousands)   | Three Months Ended |        | Nine Months Ended |         |
|--|--------------------|--------|-------------------|---------|
|  | September 30       |        | September 30      |         |
|  | 2007               | 2006   | 2007              | 2006    |
| Cash flow (as defined above)                               | 48,085             | 47,218 | 159,563           | 140,726 |
| Changes in non-cash working capital                        | 7,605              | 745    | 15,177            | 4,555   |
| Cash flow from operations after changes in working capital | 55,690             | 47,963 | 174,740           | 145,281 |

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

Management uses certain industry benchmarks such as operating netback and total debt to cash flow ratio to analyze financial and operating performance. These benchmarks as presented do not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures for other entities. Operating netback and total debt to cash flow ratio are used by research analysts to compare operating performance and a trust's ability to maintain current distributions. Operating netback is the net result of the Trust's revenue net of realized gains and losses on financial instruments, and royalty, operating and transportation expenses as found in the accompanying interim financial statements. The total debt to cash flow ratio is calculated by dividing total debt at the end of the period (comprised of the working capital deficit, outstanding bank debt and the debt portion of the Trust's convertible unsecured debentures) by the 12 month trailing cash flow as defined above.

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

any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Trust will derive there from.

### Description of Business

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

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

### Relationship with ProEx Energy Ltd.

The Trust provides personnel and certain administrative and technical services to ProEx Energy Ltd. ("ProEx") in connection with the management, development, exploitation and operation of the assets of ProEx and the marketing of its production. The Trust provides these services in accordance with the technical services agreement ("Technical Services Agreement") entered into with ProEx as described below. ProEx has granted stock options and shares to employees and executives of Progress as service providers and has also participated in a new long term incentive plan by granting ProEx common shares to employees of Progress, excluding the executives. To facilitate this plan, during the second quarter, Progress purchased 173,789 ProEx common shares and has been reimbursed by ProEx for the cost incurred. The ProEx common shares will be held until the vesting date of May 3, 2009. Any forfeited shares will revert back to ProEx.

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

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

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

On April 2, 2007, Progress acquired all of the issued and outstanding shares of a private company for \$523.8 million, net of certain assets retained by the vendor. In conjunction with the acquisition, on April 2, 2007,

Progress disposed of certain assets of the private company to ProEx for \$134.4 million. When considering the bid process for the acquisition, each of Progress and ProEx identified assets that they were interested in acquiring and values that they were willing to pay to acquire such assets. Each of Progress and ProEx determined that a single bid was more likely to be successful than two partial bids. Therefore, Progress made a single bid. The purchase price was based on amounts that each of Progress and ProEx were willing to pay for the assets that they had selected to acquire. The resale of assets between Progress and ProEx is based on these allocations.

## CORPORATE ACQUISITION

On April 2, 2007, Progress acquired all of the issued and outstanding shares of a private company for \$523.8 million, net of certain assets retained by the vendor (“Corporate Acquisition”). In conjunction with the Corporate Acquisition, on April 2, 2007, Progress disposed of certain assets of the private company to ProEx for \$134.4 million. The resulting net cash consideration of \$389.4 million was financed by the issuance of 21.0 million trust units at a price of \$12.00 per trust unit for proceeds of \$252.0 million (\$238.7 million net of issue costs) and through increased bank debt. Included in the Corporate Acquisition was approximately \$719.0 million of tax pools which are available to Progress to shelter future taxable income resulting in the recognition of a \$136.5 million future income tax asset. After giving effect of the acquisition, Progress’ estimated tax pool balances as at September 30, 2007 total approximately \$1.0 billion.

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

## OPERATING SUMMARY

In accordance with Canadian industry practice, production volumes, reserve volumes and revenues are reported on a Trust interest basis (working interest plus royalty interest), before deduction of Crown and other royalties, unless otherwise indicated. The Trust’s results of operations are dependent on production volumes of natural gas, crude oil and natural gas liquids and the prices received for this production. Prices for these commodities have shown significant volatility during recent years and are determined by supply and demand factors, including weather, general economic conditions and changes in the Canadian/United States (“U.S.”) currency exchange rate.

In this MD&A, production and reserves information may be presented on a “barrel of oil equivalent” or “boe” basis with six thousand cubic feet (“mcf”) of natural gas being equivalent to one barrel (“bbl”) of crude oil or natural gas liquids. Boe’s may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

### Production

|  | Three Months Ended<br>September 30 |               | Nine Months Ended<br>September 30 |               | Change     |
|--|------------------------------------|---------------|-----------------------------------|---------------|------------|
|  | 2007                               | 2006          | 2007                              | 2006          |            |
| <b>Average Daily Production</b>              |                                    |               |                                   |               |            |
| Natural gas ( <i>mcf/d</i> )                 | 120,804                            | 85,701        | 114,234                           | 84,799        | 35%        |
| Crude oil ( <i>bbls/d</i> )                  | 2,268                              | 2,056         | 2,174                             | 2,251         | (4)%       |
| Natural gas liquids ( <i>bbls/d</i> )        | 1,370                              | 1,327         | 1,411                             | 1,398         | (1)%       |
| <b>Total daily production (<i>boe/d</i>)</b> | <b>23,772</b>                      | <b>17,667</b> | <b>22,624</b>                     | <b>17,783</b> | <b>27%</b> |
| Natural gas as a % of total production       | 85%                                | 81%           | 84%                               | 79%           |            |

For the three months ended September 30, 2007 (the “Quarter”), Progress’ production averaged 23,772 boe per day consisting of 120,804 mcf per day of natural gas, 2,268 bbls per day of crude oil and 1,370 bbls per day of

natural gas liquids. Production during the Quarter was 35 percent higher than the same period in 2006 of 17,667 boe per day due to the Corporate Acquisition and successful drilling results. Production for the Quarter was slightly lower than Management's expectations due to wet field conditions delaying drilling and tie-in work. The Trust's production portfolio for the Quarter was weighted 85 percent to natural gas, 10 percent to crude oil and five percent to natural gas liquids.

Natural gas production increased 41 percent to 120,804 mcf per day for the Quarter compared to 85,701 mcf per day for the same period in 2006 due to the Corporate Acquisition, as well as successful drilling in the fourth quarter of 2006 and first half of 2007 in the northeast British Columbia Foothills, the Deep Basin of northwest Alberta and the Central Alberta regions. Crude oil and natural gas liquids production for the Quarter of 3,638 bbls per day was slightly higher than the same period in 2006 of 3,383 bbls per day.

Year-to-date 2007 production was 22,624 boe per day consisting of 114,234 mcf per day of natural gas, 2,174 bbls per day of crude oil and 1,411 bbls per day of natural gas liquids. This production was 27 percent higher than the same period in 2006 of 17,783 boe per day due to the Corporate Acquisition, as well as successful drilling results. The Trust's production portfolio for the nine months ended September 30, 2007 was weighted 84 percent to natural gas, 10 percent to crude oil and six percent to natural gas liquids.

Management anticipates production to average approximately 24,000 boe per day for the fourth quarter of 2007.

#### Production by Region

|   | Three Months Ended<br>September 30 |               | Nine Months Ended<br>September 30 |               | Change     |
|---|------------------------------------|---------------|-----------------------------------|---------------|------------|
|   | 2007                               | 2006          | 2007                              | 2006          |            |
| <b>Average Daily Production (boe/d)</b> |                                    |               |                                   |               |            |
| Foothills                               | 6,122                              | 3,676         | 5,610                             | 3,663         | 53%        |
| Fort St. John Plains                    | 2,036                              | 1,948         | 2,001                             | 2,091         | (4)%       |
| Deep Basin – Ojay                       | 1,101                              | -             | 713                               | -             |            |
| Milo                                    | 304                                | 298           | 331                               | 377           | (12)%      |
| <b>Total British Columbia</b>           | <b>9,563</b>                       | <b>5,922</b>  | <b>8,655</b>                      | <b>6,131</b>  | <b>41%</b> |
| Deep Basin                              | 11,595                             | 8,977         | 11,201                            | 8,732         | 28%        |
| Central Alberta                         | 1,800                              | 1,687         | 1,888                             | 1,752         | 8%         |
| Other                                   | 557                                | 779           | 633                               | 826           | (23)%      |
| <b>Total Alberta</b>                    | <b>13,952</b>                      | <b>11,443</b> | <b>13,722</b>                     | <b>11,310</b> | <b>21%</b> |
| Saskatchewan                            | 257                                | 302           | 247                               | 342           | (28)%      |
| <b>Total daily production</b>           | <b>23,772</b>                      | <b>17,667</b> | <b>22,624</b>                     | <b>17,783</b> | <b>27%</b> |

#### Pricing

##### Natural Gas Markets

Progress' realized natural gas price for the Quarter was \$5.77 per mcf (2006 - \$6.30 per mcf) compared to the AECO daily index average of \$4.88 per gigajoule ("gj") and the AECO monthly index average of \$5.32 per gj (2006 - \$5.33 per gj and \$5.72 per gj, respectively). Progress markets its natural gas at a mix of daily and monthly pricing.

For the nine months ended September 30, 2007 Progress' realized natural gas price was \$6.99 per mcf (2006 - \$7.23 per mcf), compared to the AECO daily and monthly index averages of \$6.18 per gj and \$6.46 per gj, respectively (2006 - \$6.05 per gj and \$6.82 per gj, respectively).

The North American natural gas market has been hampered by high natural gas inventories and correspondingly low prices with many analysts calling for sustained weakness as a result of high levels of drilling in the United States ("U.S.") and liquefied natural gas ("LNG") imports that have kept the market well supplied through the

early part of the summer. Storage levels in the U.S. are trending behind the record levels set in 2006 but remain higher than the five year average. Storage levels are expected to be in the range of 3.4 to 3.6 trillion cubic feet at the start of the heating season.

The evidence of reduced Canadian natural gas drilling activity is showing up in the form of weaker field receipts. Year-to-date field receipts in Alberta and British Columbia combined are down approximately 300 million cubic feet per day compared to 2006. Weak drilling activity throughout the second and third quarter of 2007 is expected to continue to put downward pressure on production. On the demand side, oil sands development is expected to continue to increase the demand for natural gas over the next decade.

In the U.S., natural gas drilling activity levels remain elevated with the natural gas directed rig count near 1,450 although this is down from recent levels of over 1,500 natural gas directed rigs. LNG imports into the U.S. have continued to fall throughout the summer from the record levels established in the second quarter of 2007. Electrical generating power demand in the United Kingdom has helped to keep netbacks in Europe stronger than in the U.S.

In the short term, natural gas prices will be dictated by high levels of gas in storage and the impact of weather. Over the longer term, natural gas will become more integrated into a global market as a result of the growth in LNG capacity. LNG imports to the U.S. are likely to act as a counterbalance to reduced natural gas supply flowing from Canada. The supply/demand balance is expected to remain tight and relatively volatile with the impact of weather being a key determinant of demand.

#### Oil Markets

Progress' realized prices for its liquids streams for the Quarter were \$78.77 per bbl (2006 - \$75.69 per bbl) for crude oil and \$62.91 per bbl (2006 - \$68.29 per bbl) for natural gas liquids. For the nine months ended September 30, 2007 Progress realized \$70.03 per bbl (2006 - \$70.50 per bbl) for crude oil and \$59.54 per bbl (2006 - \$64.77 per bbl) for natural gas liquids.

Crude oil prices continued to be relatively volatile through the third quarter of 2007. Strong global demand growth led by China with a 4.9 percent consumption increase from the same period in 2006 pulled heavily from world supply which struggled to keep pace. Calls for increased OPEC production quotas were met with claims that the market was adequately supplied and it wasn't until late September that a modest increase was finally permitted. As a result, crude oil inventories decreased steadily through the Quarter. In spite of this, OPEC is discussing the need for more production increases in the fourth quarter due to a forecast world demand of 31.5 million bbls per day.

World geopolitical events pushed crude prices upward to new record highs as the risk premium continued to grow. Suspicion over Iran's nuclear program monopolized much of the news through the quarter as the United Nations worked to resolve the situation through the use of sanctions. Meanwhile, Nigerian militants threatened more violence in that country as they demanded the emancipation of the Niger delta.

The U.S. dollar continued to lose value through the third quarter which also contributed to the WTI value increase.

## Commodity Prices

|  | Three Months Ended |        | Nine Months Ended |        | Change |
|--|--------------------|--------|-------------------|--------|--------|
|  | September 30       |        | September 30      |        |        |
|  | 2007               | 2006   | 2007              | 2006   |        |
| <b>Average Benchmark Prices</b>            |                    |        |                   |        |        |
| Natural gas – AECO (daily) (\$/gj)         | 4.88               | 5.33   | 6.18              | 6.05   | 2%     |
| Natural gas – AECO (monthly) (\$/gj)       | 5.32               | 5.72   | 6.46              | 6.82   | (5)%   |
| Natural gas – Station #2 (daily) (\$/gj)   | 4.94               | 5.19   | 6.08              | 5.74   | 6%     |
| Crude oil – WTI (US\$/bbl)                 | 75.38              | 70.48  | 66.08             | 68.22  | (3)%   |
| Crude oil – Edmonton par price (Cdn\$/bbl) | 79.84              | 78.83  | 72.96             | 75.47  | (3)%   |
| Exchange rate (US\$/Cdn\$)                 | 1.0446             | 1.1212 | 1.1048            | 1.1327 | (2)%   |
| <b>Average Realized Prices</b>             |                    |        |                   |        |        |
| Natural gas (\$/mcf) <sup>1</sup>          | 5.77               | 6.30   | 6.99              | 7.23   | (3)%   |
| Crude oil (\$/bbl)                         | 78.77              | 75.69  | 70.03             | 70.50  | (1)%   |
| Natural gas liquids (\$/bbl)               | 62.91              | 68.29  | 59.54             | 64.77  | (8)%   |

(1) Includes \$0.01 per mcf in 2007 (\$0.02 per mcf in 2006) for the amortization of the physical natural gas sales contract acquired in conjunction with the acquisition of Campion Resources Ltd. on June 3, 2002. Contract expires in 2008.

## Risk Management – Financial Instruments

The Trust has entered into several natural gas financial contracts for the purpose of protecting its cash flow from the volatility of natural gas prices. For the Quarter, the Trust's natural gas price risk management program had a net realized gain of \$6.3 million (2006 - \$10.5 million net gain). For the nine months ended September 30, 2007, the Trust's natural gas price risk management program had a realized net gain of \$13.5 million (2006 - \$19.5 million net gain).

On January 1, 2007 the Trust adopted the new accounting standards regarding the accounting for financial instruments. In addition to the adoption of the new standards, Management elected not to use hedge accounting and therefore, records the fair value of its natural gas financial contracts at each reporting period with the change in the fair value being classified as unrealized gains or losses on the statement of earnings. The accounting for hedging relationships for prior fiscal periods are not retroactively changed, therefore, there was no restatement of the financial position or results of operation as at and for the three and nine months ended September 30, 2006.

On adoption, the Trust recognized a current asset of \$15.6 million for the fair value of its natural gas derivative contracts with a corresponding increase to the future income tax liability and accumulated other comprehensive income of \$5.1 million and \$10.5 million, respectively. The \$10.5 million in accumulated other comprehensive income will be amortized through other comprehensive income and unrealized gain or loss on the statement of earnings over the term of the contracts. For the Quarter, \$1.8 million, net of tax, was amortized through other comprehensive income with a corresponding pre-tax unrealized gain of \$2.7 million and a charge to future income tax expense of \$0.9 million. For the nine months ended September 30, 2007 \$9.9 million, net of tax, was amortized through other comprehensive income with a corresponding pre-tax unrealized gain of \$14.7 million and a charge to future income tax expense of \$4.8 million

At September 30, 2007 the fair value of the natural gas financial contracts was an asset of \$2.6 million. The decrease in value for the Quarter of \$3.3 million was due to the expiration of three months of these contracts which expire October 31, 2007. The decrease in value of \$13.0 million for the nine months ended September 30, 2007 was primarily due to the expiration of nine months of the current financial contracts. The total net unrealized loss on the statement of earnings for the Quarter is \$0.6 million which is comprised of the unrealized loss on the change in fair value of the natural gas derivative contracts of \$3.3 million, net of the \$2.7 million amortized gain from the adoption of the standards on January 1, 2007. For the nine months ended September 30, 2007, the net unrealized gain on the statement of earnings is comprised of the unrealized loss of \$13.0 million on the change in fair value of its natural gas derivative contracts, which was more than offset by the \$14.7 million

amortized gain from the adoption of the standards on January 1, 2007, for a total net unrealized gain of \$1.7 million.

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

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

Progress' commodity risk management positions are described in Note 12 in the unaudited interim consolidated financial statements.

### Revenue

For the Quarter, petroleum and natural gas revenue increased 22 percent to \$88.5 million from \$72.3 million for the same period in 2006 due to higher natural gas production as a result of the Corporate Acquisition and successful drilling. Production revenue for the Quarter consisted of \$64.0 million from natural gas sales, \$16.4 million from crude oil sales and \$7.9 million from the sale of natural gas liquids.

For the nine months ended September 30, 2007, revenues increased 20 percent to \$282.5 million from \$235.3 million for the same period in 2006 due to higher natural gas production.

| <i>(\$ thousands)</i>                                 | Three Months Ended<br>September 30 |               | Nine Months Ended<br>September 30 |                | Change     |
|---|------------------------------------|---------------|-----------------------------------|----------------|------------|
|   | 2007                               | 2006          | 2007                              | 2006           |            |
| Natural gas sales                                     | 63,992                             | 49,528        | 217,577                           | 166,847        | 30%        |
| Crude oil sales                                       | 16,435                             | 14,319        | 41,560                            | 43,334         | (4)%       |
| Natural gas liquids sales                             | 7,928                              | 8,341         | 22,940                            | 24,723         | (7)%       |
| Amortization of commodity sales contract <sup>1</sup> | 125                                | 140           | 383                               | 431            | (11)%      |
| <b>Petroleum and natural gas revenue</b>              | <b>88,480</b>                      | <b>72,328</b> | <b>282,460</b>                    | <b>235,335</b> | <b>20%</b> |

(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.

| <i>(\$ thousands)</i>  | Natural<br>Gas | Crude Oil<br>& NGLs | Total         |
|--|----------------|---------------------|---------------|
| Three months ended September 30, 2006 petroleum and natural gas revenue        | 49,668         | 22,660              | 72,328        |
| Price variance   | (5,895)        | (5)                 | (5,900)       |
| Production variance  | 20,344         | 1,708               | 22,052        |
| <b>Three months ended September 30, 2007 petroleum and natural gas revenue</b> | <b>64,117</b>  | <b>24,363</b>       | <b>88,480</b> |

| <i>(\$ thousands)</i>   | Natural<br>Gas | Crude Oil<br>& NGLs | Total          |
|---|----------------|---------------------|----------------|
| Nine months ended September 30, 2006 petroleum and natural gas revenue        | 167,278        | 68,057              | 235,335        |
| Price variance  | (7,383)        | (2,363)             | (9,746)        |
| Production variance   | 58,065         | (1,194)             | 56,871         |
| <b>Nine months ended September 30, 2007 petroleum and natural gas revenue</b> | <b>217,960</b> | <b>64,500</b>       | <b>282,460</b> |

## Royalties

Royalty expense consists of royalties paid to provincial governments, freehold landowners and overriding royalty owners. Effective for 2007, the Alberta government eliminated the Alberta royalty tax credit program. The impact to Progress was an increase to royalty expense for the three and nine months ended September 30, 2007 of approximately \$0.1 million and \$0.4 million, respectively.

For the Quarter, royalties increased five percent to \$19.2 million from \$18.3 million for the same period in 2006 due to higher revenues, as a result of higher production. The Trust's average royalty rate for the Quarter was 21.8 percent compared to 25.3 percent in 2006. The decrease in the royalty rate is due to lower royalty rates on the properties acquired in the Corporate Acquisition, as well as, the acquired properties included wells in which Progress paid gross overriding royalties.

For the nine months ended September 30, 2007 royalties of \$63.2 million were consistent with the same period in 2006 of \$61.7 million. The Trust's average royalty rate was 22.4 percent compared to 26.3 percent in 2006.

Management anticipates, based on current commodity prices and royalty regimes, the average royalty rate for the remainder of 2007 will be approximately 23.0 percent of petroleum and natural gas revenue.

On September 18, 2007 the Royalty Review Panel delivered its final report and recommendations to the Government of Alberta. The report titled "Our Fair Share" recommends a significant increase to royalties levied on natural gas, conventional oil and oil sands produced in Alberta. These recommendations, if enacted as proposed, would have a significant impact on Progress' royalties going forward as approximately 60 percent of its production is from wells located in Alberta.

## Operating Expenses

Operating expenses during the Quarter increased 45 percent to \$14.6 million from \$10.0 million for the same period in 2006 and for the nine months ended September 30, 2007 increased 38 percent to \$40.5 million compared to \$29.3 million for the same period in 2006. The increase is the result of higher production in 2007 compared to the same periods in 2006, reflecting the impact of the Corporate Acquisition and successful drilling. On a boe basis, operating expenses for the Quarter increased eight percent to \$6.67 from \$6.18 in the same period in 2006, while year-to-date operating expenses increased eight percent to \$6.55 from \$6.04 in the same period in 2006. The operating expense per boe is expected to trend downwards for the fourth quarter of 2007 as the Trust optimizes the acquired assets. Progress has experienced increased costs for well servicing, insurance, workovers and well maintenance. Through increased operating efficiencies, relationships with suppliers and the addition of low operating cost per boe production, the Trust has been able to offset a large portion of these increases and keep operating costs per boe low.

Management anticipates operating expense for the fourth quarter of 2007 will be consistent with the Quarter and average approximately \$6.50 per boe.

## Transportation Expenses

Transportation expenses for the Quarter increased 64 percent to \$4.3 million compared to \$2.6 million for the same period in 2006. For the nine months ended September 30, 2007 transportation expenses increased 33 percent to \$11.2 million compared to \$8.4 million for the same period in 2006. The increase is due to higher production in 2007 compared to 2006. On a boe basis, transportation expenses during the Quarter increased 22 percent to \$1.96 compared to \$1.61 for the same period in 2006, while year-to-date transportation expenses increased five percent to \$1.82 compared to \$1.74 for the same period in 2006. The increase for the Quarter is due to higher transportation and treatment tolls associated with the Corporate Acquisition including higher treatment tolls associated with the Slave Point production at the Bubbles property. In British Columbia, there is an infrastructure owned by Spectra Energy that enables gas producers to avoid facility construction in exchange

for regulated gathering, processing and transmission fees. This all-in charge is included in transportation expenses.

### Operating Netbacks

Although many wells produce both crude oil and natural gas, a well is categorized as a natural gas well or an oil well based upon the higher proportion of natural gas or crude oil production. The following table summarizes the operating netbacks for natural gas and oil properties for the three and nine months ended September 30, 2007 compared to the same periods in 2006:

|  | Three Months Ended<br>September 30 |         | Nine Months Ended<br>September 30 |         |
|--|------------------------------------|---------|-----------------------------------|---------|
|  | 2007                               | 2006    | 2007                              | 2006    |
| <b>Natural Gas Properties (\$/mcf)</b>     |                                    |         |                                   |         |
| Sales price                                | 6.13                               | 6.78    | 7.23                              | 7.59    |
| Amortization of commodity sales contract   | 0.01                               | 0.02    | 0.01                              | 0.02    |
| Realized gain on financial instruments     | 0.55                               | 1.26    | 0.41                              | 0.79    |
| Royalties                                  | (1.35)                             | (1.80)  | (1.64)                            | (2.03)  |
| Operating expenses                         | (0.97)                             | (0.89)  | (0.99)                            | (0.94)  |
| Transportation expenses                    | (0.33)                             | (0.26)  | (0.30)                            | (0.29)  |
| Operating netback – natural gas properties | 4.04                               | 5.11    | 4.72                              | 5.14    |
| <b>Oil Properties (\$/bbl)</b>             |                                    |         |                                   |         |
| Sales Price                                | 68.09                              | 67.71   | 64.21                             | 64.38   |
| Royalties                                  | (14.00)                            | (14.04) | (13.22)                           | (15.69) |
| Operating expenses                         | (13.31)                            | (11.25) | (11.36)                           | (8.47)  |
| Transportation expenses                    | (1.80)                             | (1.85)  | (1.94)                            | (1.85)  |
| Operating netback – oil properties         | 38.98                              | 40.57   | 37.69                             | 38.37   |
| <b>All Properties (\$/boe)</b>             |                                    |         |                                   |         |
| Sales Price                                | 40.40                              | 44.41   | 45.67                             | 48.39   |
| Amortization of commodity sales contract   | 0.06                               | 0.09    | 0.06                              | 0.09    |
| Realized gain on financial instruments     | 2.89                               | 6.47    | 2.19                              | 4.02    |
| Royalties                                  | (8.80)                             | (11.24) | (10.23)                           | (12.70) |
| Operating expenses                         | (6.67)                             | (6.18)  | (6.55)                            | (6.04)  |
| Transportation expenses                    | (1.96)                             | (1.61)  | (1.82)                            | (1.74)  |
| Operating netback – all properties         | 25.92                              | 31.94   | 29.32                             | 32.02   |

### General and Administrative Expenses

For the Quarter, general and administrative expenses net of overhead recoveries, (“G&A”) increased 91 percent to \$2.5 million (\$1.12 per boe) compared to \$1.3 million (\$0.79 per boe) for the same period in 2006. For the nine months ended September 30, 2007, G&A expenses increased 41 percent to \$6.7 million (\$1.09 per boe) compared to \$4.8 million (\$0.98 per boe) for the same period in 2006. The increase in G&A for the Quarter and year-to-date is due to the increased size of the Trust, reduced recoveries as a result of lower capital expenditures, as well as higher costs incurred to retain employees.

In accordance with the Technical Services Agreement with ProEx, the Trust provides personnel and certain administrative and technical services in connection with the management, development, exploitation and

operation of the assets of ProEx and the marketing of its production. The Trust provides these services to ProEx on an expense reimbursement basis, based on ProEx's monthly capital activity and production levels relative to the combined capital activity and production levels of both the Trust and ProEx. Total expenses reimbursed by ProEx for the Quarter were \$1.4 million (2006 - \$0.9 million) and for the nine months ended September 30, 2007 were \$4.2 million (2006 - \$2.9 million).

The Trust capitalized approximately \$0.2 million of G&A during the Quarter (2006 - \$0.3 million) and \$0.9 million for the nine months ended September 30, 2007 (2006 - \$0.9 million). The majority of these costs represent geological and geophysical salaries.

Management anticipates G&A for the fourth quarter of 2007 will be consistent with the Quarter at \$1.00 to \$1.10 per boe.

### Unit Based Compensation Expenses

#### *Performance Units*

The Progress performance unit plan provides for employees and directors to be granted performance units which vest at the end of a three year performance period at which time they will be converted to trust units, or the cash equivalent, and include the accumulated distributions over the three year period. The actual number of trust units paid is dependent upon a performance factor that is determined based on the Trust's performance relative to its peers and ranges from 0.5 to 1.5 times the initial grant, except for performance units granted to the Trust's executives effective July 2, 2007 which can range from 0 to 3 times. 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.

#### *Long Term Incentive Component*

During the second quarter of 2007, the performance unit incentive plan (the "Plan") was modified to include a new long term incentive component ("LTI component") for non-executive employees. Awards granted under the LTI component of the Plan will vest over three years with 40% vesting on the second anniversary of the date of grant and 60% vesting on the third anniversary of the date of grant. An additional 15% grant will be paid if the holder holds the units they receive on the second anniversary date for one additional year. As at September 30, 2007 176,855 units are outstanding under the LTI component at an average value of approximately \$14.45 per unit, resulting in a total compensation cost of \$2.6 million of which \$2.2 million will be recognized through unit based compensation expense and \$0.4 million will be capitalized over the vesting period.

Effective July 2, 2007 the Trust granted 486,750 performance units at an average value of \$12.79 per unit. Of the total value of approximately \$6.3 million, assuming a performance factor of 1.0, \$5.6 million will be charged to unit based compensation expense over the vesting period and \$0.7 million will be capitalized.

For the Quarter, unit based compensation expenses relating to the performance unit incentive plan, which includes the performance units and units issued under the LTI component, increased 76 percent to \$2.4 million (\$1.09 per boe) compared to \$1.4 million (\$0.84 per boe) for the same period in 2006. For the nine months ended September 30, 2007 unit based compensation expenses increased 91 percent to \$6.4 million (\$1.04 per boe) compared to \$3.4 million (\$0.70 per boe) for the same period in 2006. The increase is due to the performance units granted effective July 2, 2007, the units granted May 3, 2007 under the LTI component, as well as an increase in the performance factor in the second quarter of 2007 from 1.0 to 1.5 on the performance units vesting in 2008 and 2009 due to the Trust's strong operating performance relative to its peers. Actual performance factors will not be determined until the end of the three year performance periods.

On June 28, 2007 381,367 units were issued to settle the performance units which subsequently vested on July 2, 2007. As at September 30, 2007 the total outstanding performance units and units under the LTI component amounted to two percent of the total outstanding trust units and units which may be issued on the exchange of exchangeable shares using performance factors of 1.5, 1.5 and 1.0 for the performance units vesting in 2008, 2009 and 2010, respectively.

| Performance Units            | Nine Months Ended<br>September 30 |           |
|------------------------------|-----------------------------------|-----------|
|                              | 2007                              | 2006      |
| Balance, beginning of period | 1,300,717                         | 898,367   |
| Granted                      | 503,650                           | 412,650   |
| Settled                      | (381,367)                         | -         |
| Forfeited                    | (49,700)                          | (18,300)  |
| Balance, end of period       | 1,373,300                         | 1,292,717 |
|                              | As at September 30<br>2007        |           |
| Vesting Date                 |                                   |           |
| July 2, 2008 <sup>1</sup>    |                                   | 483,800   |
| July 2, 2009 <sup>1</sup>    |                                   | 402,750   |
| July 2, 2010                 |                                   | 486,750   |
| Total                        |                                   | 1,373,300 |

(1) Using the current anticipated performance factor of 1.5 times, 725,700 trust units and 604,125 trust units, respectively, will be issued on the vesting of the 2008 and 2009 performance units.

| Units under LTI Component    | Nine Months Ended<br>September 30 |         |
|------------------------------|-----------------------------------|---------|
|                              | 2007                              | 2006    |
| Balance, beginning of period | -                                 | -       |
| Granted                      | 185,999                           | -       |
| Forfeited                    | (9,144)                           | -       |
| Balance, end of period       | 176,855                           | -       |
|                              | As at September 30<br>2007        |         |
| Vesting Date                 |                                   |         |
| May 1, 2009                  |                                   | 70,742  |
| May 1, 2010                  |                                   | 106,113 |
| Total <sup>1</sup>           |                                   | 176,855 |

(1) If the units vesting May 1, 2009 are held by the LTI holder until May 1, 2010 an additional 26,528 units will be issued by the Trust.

## Interest and Financing Expenses

Interest and financing expenses during the Quarter increased 92 percent to \$6.3 million compared to \$3.3 million for the same period in 2006 while year-to-date interest and financing expenses increased 95 percent to \$16.0 million compared to \$8.2 million for the same period in 2006. The increase is due to the increase in bank debt to fund the Corporate Acquisition and capital expenditures during 2007, as well as the issuance of the 6.25 percent convertible unsecured subordinated debentures in August of 2006.

| (\$ thousands)                                       | Three Months Ended |              | Nine Months Ended |              |
|--|--------------------|--------------|-------------------|--------------|
|  | September 30       |              | September 30      |              |
|  | 2007               | 2006         | 2007              | 2006         |
| Interest on bank debt                                | 3,533              | 1,422        | 7,719             | 3,582        |
| Interest on Debentures                               | 2,123              | 1,460        | 6,335             | 3,673        |
| Amortization of Debenture issue costs                | 279                | 175          | 837               | 438          |
| Accretion on debt portion of Debentures <sup>1</sup> | 367                | 229          | 1,086             | 508          |
| <b>Total interest and financing expense</b>          | <b>6,302</b>       | <b>3,286</b> | <b>15,977</b>     | <b>8,201</b> |

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

## 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 57 percent to \$37.3 million compared to \$23.7 million for the same period in 2006. For the nine months ended September 30, 2007 DD&A increased 45 percent to \$101.4 million compared to \$70.2 million for the same period in 2006. The increase was due to the Corporate Acquisition. On a boe basis, DD&A for the Quarter was \$17.08 compared to \$14.59 for the same period in 2006 and for the nine months ended September 30, 2007 was \$16.42 compared to \$14.45 for the same period in 2006.

## Taxes

On June 12, 2007 the federal government’s bill regarding the taxation of distributions from trusts beginning January 1, 2011 passed the third reading making it substantively enacted in accordance with Canadian GAAP. As a result, a recovery of \$7.6 million was recognized in the future income tax provision on the recognition of a \$7.6 million future income tax asset in the Trust. Previously, the future income tax liability on the consolidated balance sheet represented only the future income tax liability of the Trust’s subsidiary.

As part of the government’s bill, a growth limit was established for existing trusts by limiting new equity issues to 40 percent of that trust’s October 31, 2006 market capitalization (“benchmark”) for 2007, and an additional 20 percent of the benchmark for each of 2008, 2009 and 2010. For Progress, the growth limits are \$476.8 million for 2007 (less \$252.0 million as a result of the equity offering in regards to the Corporate Acquisition) and \$238.4 million for each of 2008, 2009 and 2010 with any unused amount rolling forward to the next year.

The provision for future income taxes for the Quarter was a recovery of \$5.9 million compared to a recovery of \$1.4 million in same period in 2006. For the nine months ended September 30, 2007 the provision for future income taxes was a recovery of \$16.6 million compared to a recovery of \$13.3 million for the same period in 2006. The higher recoveries in the Quarter and year-to-date in 2007 are due to lower earnings, as well as, the recovery in the nine months ended September 30, 2007 due to the recognition of the future income tax asset of the Trust and a reduction in future federal income tax rates from the government’s 2007 budget. The substantial recovery in 2006 is due to a reduction in future federal and provincial income tax rates enacted in the period.

As a result of the Corporate Acquisition, Progress recognized a \$136.5 million future income tax asset for the difference between the \$719.0 million in tax pools acquired over the value assigned to the assets. Progress’ estimated tax pool balances as at September 30, 2007 total approximately \$1.0 billion after giving effect of the acquisition.

## Non-Controlling Interest - Exchangeable Shares

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

| (\$ thousands, except unit amounts) | Nine Months Ended September 30 |         |             |          |
|-------------------------------------|--------------------------------|---------|-------------|----------|
|                                     | 2007                           |         | 2006        |          |
|                                     | Number                         | Amount  | Number      | Amount   |
| <b>Exchangeable Shares</b>          |                                |         |             |          |
| Balance, beginning of period        | 9,642,540                      | 122,592 | 11,388,751  | 127,205  |
| Exchanged for trust units           | (375,066)                      | (4,842) | (1,738,811) | (20,037) |
| Non-controlling interest expense    |                                | 8,574   |             | 11,936   |
| Balance, end of period              | 9,267,474                      | 126,324 | 9,649,940   | 119,104  |

The charge to net earnings of \$8.6 million for 2007 and \$11.9 million for 2006 represents the net earnings attributable to the exchangeable shares over the period.

## Net Earnings, Comprehensive Income and Cash Flow

Net earnings for the Quarter decreased 41 percent to \$11.9 million compared to \$20.3 million for the same period in 2006. The decrease is due to higher costs, primarily DD&A, as well as lower natural gas prices which exceeded the impact of the higher production as a result of the Corporate Acquisition. Basic and diluted net earnings for the Quarter were \$0.12 per unit compared to \$0.27 per unit basic and diluted for the same period in 2006.

Net earnings for the nine months ended September 30, 2007 decreased 14 percent to \$60.3 million compared to \$70.1 million for the same period in 2006. Lower natural gas prices and higher DD&A expense in 2007 exceeded the impact of higher production as a result of the Corporate Acquisition. Basic and diluted net earnings for the nine months ended September 30, 2007 were \$0.67 per unit and \$0.66 per unit, respectively, compared to \$0.94 per unit basic and \$0.93 per unit diluted for the same period in 2006.

Other comprehensive income for the three and nine months ended September 30, 2007 included a charge of \$1.8 million and \$9.9 million, respectively (2006 – nil) relating to the amortization of the amount recognized in accumulated other comprehensive income on January 1, 2007 for the fair value of financial instruments on adoption of the new accounting standards for financial instruments (refer to Risk Management above). This resulted in total comprehensive income for the three and nine months ended September 30, 2007 of \$10.1 million and \$50.3 million, respectively (2006 - \$20.3 million and \$70.1 million, respectively).

Cash flow for the Quarter of \$48.1 million was consistent with the same period in 2006 of \$47.2 million. For the nine months ended September 30, 2007 cash flow increased 13 percent to \$159.6 million compared to the same period in 2006 of \$140.7 million. The increase was due to higher revenues as a result of the Corporate Acquisition. Diluted cash flow for the Quarter was \$0.43 per unit compared to \$0.54 per unit during the same period in 2006. Diluted cash flow for the nine months ended September 30, 2007 was \$1.54 per unit compared to \$1.60 per unit during the same period in 2006.

## Quarterly Financial Summary <sup>1,2</sup>

|  | Three Months Ended |                 |                |                |                 |                 |                |                |
|--|--------------------|-----------------|----------------|----------------|-----------------|-----------------|----------------|----------------|
|  | Sept 30<br>2007    | June 30<br>2007 | Mar 31<br>2007 | Dec 31<br>2006 | Sept 30<br>2006 | June 30<br>2006 | Mar 31<br>2006 | Dec 31<br>2005 |
| <i>(\$ thousands, except per unit amounts)</i> |                    |                 |                |                |                 |                 |                |                |
| Petroleum and natural gas revenue              | 88,480             | 108,503         | 85,477         | 75,182         | 72,328          | 71,439          | 91,568         | 120,628        |
| Cash flow                                      | 48,085             | 58,398          | 53,080         | 49,603         | 47,218          | 45,871          | 47,637         | 65,785         |
| Per unit diluted                               | 0.43               | 0.53            | 0.60           | 0.56           | 0.54            | 0.52            | 0.55           | 0.77           |
| Net earnings                                   | 11,909             | 31,947          | 16,425         | 21,538         | 20,252          | 28,425          | 21,383         | 29,398         |
| Per unit basic                                 | 0.12               | 0.33            | 0.22           | 0.29           | 0.27            | 0.38            | 0.29           | 0.41           |
| Per unit diluted                               | 0.12               | 0.33            | 0.22           | 0.28           | 0.27            | 0.38            | 0.29           | 0.40           |

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

### Distributions

Management monitors the Trust's distribution payout policy with respect to forecasted net cash flow, debt levels and capital expenditures. As a crude oil and natural gas trust, Progress has a declining asset base and therefore relies on ongoing development activities and acquisitions to replace production and add additional reserves. Progress' future crude oil and natural gas production and reserves are highly dependent on its success in exploiting its asset base and acquiring additional reserves. The success of these activities, along with natural gas prices are the main factors influencing the sustainability of the Trust's distributions.

Starting in January 2007, the Trust reduced its monthly distributions from \$0.14 per trust unit to \$0.10 per trust unit due to a reduction in forecasted 2007 cash flow as a result of the then current weakness in natural gas prices. The distribution reduction reinforces Progress' commitment to sustainability. Progress defines sustainability as maintaining production and reserves per trust unit over an extended period of time. Progress' sustainability objective is to annually retain sufficient cash flow to replace reserves produced. As a result, \$31.0 million was distributed in the Quarter compared to \$31.6 million for the same period in 2006. For the nine months ended September 30, 2007, \$84.9 million was distributed compared to \$93.9 million for the same period in 2006. The distributions for the three and nine months ended September 30, 2007 include \$1.8 million relating to the performance units that vested on July 2, 2007.

For the three and nine months ended September 30, 2007, cash flow from operating activities (after changes in non-cash working capital) of \$55.7 million and \$174.7 million, respectively, exceeded cash distributions of \$31.0 million and \$84.9 million, respectively. This was consistent with the three and nine months ended September 30, 2006 in which cash flow from operating activities (after changes in non-cash working capital) of \$48.0 million and \$145.3 million, respectively, exceeded cash distributions of \$31.6 million and \$93.9 million, respectively.

For the three and nine months ended September 30, 2007, cash distributions of \$31.0 million and \$84.9 million, respectively, exceeded net earnings of \$11.9 million and \$60.3 million, respectively. This is consistent with the three and nine months ended September 30, 2006 in which cash distributions of \$31.6 million and \$93.9 million, respectively, exceeded net earnings of \$20.2 million and \$70.1 million, respectively. Net earnings includes significant non-cash charges which in 2007 were \$36.2 million for the Quarter and \$99.3 million year-to-date that do not impact cash flow. Net earnings also include fluctuations in future income taxes due to changes in tax rates and tax rules. In addition, other non-cash charges such as DD&A are not a good proxy for the cost of maintaining our productive capacity given the natural declines associated with crude oil and natural gas assets. In these instances, where distributions exceed net earnings, a portion of the cash distribution paid to unitholders may represent an economic return of the unitholders' capital.

For the Quarter, cash distributions and capital spending combined totaled \$54.4 million, which was slightly lower than the cash flow from operating activities (after changes in non-cash working capital) of \$55.7 million. For the nine months ended September 30, 2007, cash distributions and capital spending (excluding the Corporate Acquisition and Wapiti asset purchase described below) combined totaled \$166.9 million, which was \$7.9 million lower than the cash flow from operating activities (after changes in non-cash working capital) of \$174.7 million. For the three and nine months ended September 30, 2006 cash distributions and capital spending exceeded the cash flow from operating activities (after changes in non-cash working capital) by \$14.5 million and \$47.9 million, respectively, in which monthly distributions were at the \$0.14 per unit level. Progress relies on access to capital markets to the extent cash distributions and net capital expenditures exceed cash flow from operations (after changes in non-cash working capital). Over the long term Progress expects to fund distributions and capital expenditures with its cash flow, however, it will continue to fund acquisitions and growth through additional debt and equity. In the crude oil and natural gas sector, because of the nature of reserve reporting, the natural reservoir declines and the risks involved in capital investment, it is not possible to distinguish between capital spent on maintaining productive capacity and capital spent on growth opportunities. Therefore, maintenance capital is not disclosed separately from development capital spending.

On September 18, 2007 the Royalty Review Panel delivered its final report and recommendations to the Government of Alberta. The report titled "Our Fair Share" recommends a significant increase to royalties levied on natural gas, conventional oil and oil sands produced in Alberta. These recommendations, if enacted as proposed, would have a significant impact on Progress' royalties going forward as approximately 60 percent of its production is from wells located in Alberta.

Although Progress intends to continue to make cash distributions to unitholders, these distributions are not guaranteed.

### Capital Expenditures

During the Quarter, the Trust invested \$23.4 million in capital expenditures compared to \$30.9 million in the same period in 2006. For the nine months ended September 30, 2007 the Trust invested \$122.9 million in capital expenditures compared to \$99.3 million for the same period in 2006.

| (\$ thousands)                           | Three Months Ended |               | Nine Months Ended |               |
|--|--------------------|---------------|-------------------|---------------|
|  | September 30       |               | September 30      |               |
|  | 2007               | 2006          | 2007              | 2006          |
| Land acquisitions and retention          | 1,104              | 2,002         | 5,143             | 7,619         |
| Geological and geophysical               | 725                | 850           | 3,383             | 5,096         |
| Drilling and completions                 | 22,954             | 19,624        | 58,392            | 60,546        |
| Equipping and facilities                 | 6,912              | 7,307         | 23,421            | 23,918        |
| Net property acquisitions (dispositions) | (8,293)            | (12)          | 32,326            | 936           |
| Corporate assets                         | 31                 | 1,104         | 203               | 1,233         |
| <b>Total capital expenditures</b>        | <b>23,433</b>      | <b>30,875</b> | <b>122,868</b>    | <b>99,348</b> |

During the Quarter, Progress drilled 17 gross wells (9.3 net) with a 100 percent success rate. The program yielded 17 natural gas wells (9.3 net), including seven gross wells (4.8 net) drilled in the Deep Basin region of northwest Alberta, nine gross wells (3.7 net) in the Foothills of northeast British Columbia and one gross well (0.8 net) in the Fort St. John Plains region.

Year-to-date, Progress drilled 53 gross wells (27.5 net) with a 94 percent success rate. The program yielded 48 natural gas wells (25.7 net), including 21 gross wells (15.7 net) drilled in the Deep Basin region of northwest

Alberta, 23 gross (6.8 net) drilled in the northeast British Columbia Foothills region, three gross (2.4 net) drilled in Central Alberta and one gross (0.8 net) in the northeast British Columbia Fort St. John Plains region.

In July 2007, Progress sold its gross overriding interest and certain land in the Copton and Cutpick areas for \$8.0 million.

On May 31, 2007 Progress acquired certain petroleum and natural gas assets from a major producer in the Wapiti area for \$40.9 million, net of final closing adjustments. The acquisition added approximately 800 boe per day of production, 1.54 million boe of proved plus probable reserves and 31,000 net undeveloped acres of land with varying working interests which will create further opportunities to consolidate working interests within the region. Progress believes there are substantial upside opportunities on the acquired lands which are contiguous with the Trust's Gold Creek property. The acquisition also added ownership in infrastructure which is strategic to Progress' area of expansion plans.

The Trust's capital spending in the fourth quarter of 2007 will continue to be directed to the three focus regions of the Deep Basin in northwest Alberta and the Fort St. John Plains and Foothills of northeast British Columbia. An unusually wet summer in Progress' operating areas limited the number of wells drilled and the extent of the facility activities that were originally planned. As a result, Progress expects total capital spending in 2007, before net property acquisitions (dispositions), to be approximately \$130 million compared to the forecast last quarter of \$140 million.

#### Liquidity and Capital Resources

| <i>(\$ thousands, except per unit amounts)</i>                     | September 30<br>2007 | December 31<br>2006 |
|--|----------------------|---------------------|
| Working capital deficiency   | 26,968               | 13,959              |
| Bank debt  | 269,182              | 75,000              |
| Convertible debentures   | 121,528              | 119,605             |
| Total debt   | 417,678              | 208,564             |
| Units outstanding and issuable for exchangeable shares (thousands) | 110,436              | 88,114              |
| Market price per unit at end of period                             | 12.03                | 12.57               |
| Market value of trust units and exchangeable shares                | 1,328,545            | 1,107,593           |
| Cash flow (12 month trailing)                                      | 209,166              | 190,329             |
| Total debt to cash flow ratio                                      | 2.00                 | 1.10                |

At September 30, 2007 the Trust had \$269.2 million outstanding on its credit facilities, \$121.5 million for the debt portion of the 6.75 percent and 6.25 percent convertible unsecured subordinated debentures (the "Debentures") and a working capital deficiency of \$27.0 million, totaling \$417.7 million of total debt.

At September 30, 2007 the Trust's credit facilities consisted of a \$340 million extendible revolving term credit facility and a \$35 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 27, 2008, and such initial term out date may be extended for further 364 day periods at the request of the Trust, subject to approval by the banks. Following the term out date, the facilities will be available on a non-revolving basis for a one year term, at which time the facilities would be due and payable. The credit facilities are secured by a \$1 billion fixed and floating charge debenture on the assets of Progress Energy Ltd. and by a guarantee and subordination provided by Progress Energy Ltd. in respect of the Trust's obligations. The \$375 million borrowing base is subject to semi-annual review by the banks.

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

per trust unit, respectively. The 6.75 percent debentures mature on June 30, 2010 and the 6.25 percent debentures mature on September 30, 2011 at which time they are due and payable.

The Debentures have been classified as debt net of the fair value of the conversion feature which has been classified as part of unitholders' equity and net of issue costs. At September 30, 2007 the debt portion was \$121.5 million, net of unamortized issue costs. Issue costs are amortized over the term of the Debentures and the debt portion will accrete up to the principal balance at maturity. The accretion, amortization of issue costs and the interest paid are expensed with interest and financing expense on the consolidated statements of earnings.

Bank debt increased from \$75.0 million as at December 31, 2006 to \$269.2 million as at September 30, 2007 mainly due to the Corporate Acquisition and the Wapiti area asset purchase described above. The working capital deficiency of \$27.0 million at September 30, 2007 is higher than the December 31, 2006 deficiency of \$14.0 million due to a lower accounts receivable balance as a result of lower natural gas prices and a decrease in the cash and short-term investments balance of \$8.3 million.

On April 2, 2007 Progress purchased all of the issued and outstanding shares of a private company (refer to Corporate Acquisition above) and in conjunction with the purchase, sold certain assets of the private company to ProEx. The net cash consideration of \$389.4 million, was financed by the issuance of 21.0 million trust units at a price of \$12.00 per trust unit for proceeds of \$252.0 million (\$238.7 million net of issue costs) and through increased bank debt.

Outstanding as at October 23, 2007 were 97,343,544 trust units, 9,267,474 exchangeable shares and \$130.7 million of Debentures convertible into 7,561,287 trust units.

The Trust's investing activities in the Quarter primarily consisted of expenditures on its capital program. Management anticipates that the Trust will continue to have adequate liquidity to fund future working capital and forecasted capital expenditures 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 as distributions are not guaranteed.

## DISCLOSURE CONTROLS AND PROCEDURES

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

## Additional Information

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

## OUTLOOK

We remain firmly focused on our goal of maintaining or modestly growing reserves and production on a per unit basis. Our sustainability strategy has been achieved through the drill bit at industry leading efficiencies and supplemented by strategic acquisitions while maintaining our financial strength. Our second quarter acquisitions, our first as a Trust, have further strengthened our sustainability strategy by expanding our development inventory while providing an appropriate exposure to exploration upside within our existing core regions. For the fourth quarter of 2007, we are targeting average production to be approximately 24,000 boe per day.

On the commodity front, natural gas prices have weakened in the near term as a result of ample natural gas storage while liquefied natural gas imports to the United States have continued to grow in the absence of demand in Europe. We believe that the outlook for natural gas prices remains positive over the medium to longer term.

On September 18, 2007 the Royalty Review Panel delivered its final report and recommendations to the Government of Alberta. The report titled “Our Fair Share” recommends a significant increase to royalties levied on natural gas, conventional oil and oil sands produced in Alberta. These recommendations, if enacted as proposed, would have a significant impact on Progress’ royalties going forward as approximately 60 percent of its production is from wells located in Alberta. Progress is an active exploration and development company and maintains a large, multi-year inventory of drilling opportunities in both Alberta and British Columbia. Our capital investment program is designed to yield strong returns through its low cost leadership and program repeatability. If the changes as proposed by the Alberta Royalty Review Panel are implemented, Progress will shift a substantial portion of its capital investment into British Columbia to capture opportunities which would yield higher, risk-adjusted economic returns than would be achieved in Alberta. We do however, have confidence that the Alberta government will take the time to understand the potential impact changes to the royalty system will have on activity levels and investor confidence before they arrive at a decision.

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

On behalf of the Board of Directors,

(Signed) “Michael R. Culbert”

Michael R. Culbert  
President & CEO  
October 24, 2007

# PROGRESS ENERGY TRUST

## CONSOLIDATED BALANCE SHEETS

| <i>(\$ thousands)</i>   | September 30<br>2007 | December 31<br>2006 |
|---|----------------------|---------------------|
|   | <i>(Unaudited)</i>   |                     |
| <b>ASSETS</b>   |                      |                     |
| Current   |                      |                     |
| Cash and short-term investments                               | -                    | 8,265               |
| Accounts receivable   | 28,056               | 35,555              |
| Prepaid expenses and deposits                                 | 9,293                | 7,798               |
| Fair value of financial instruments <i>(Notes 2 and 12)</i>   | 2,558                | -                   |
|   | 39,907               | 51,618              |
| Property, plant and equipment <i>(Note 4)</i>                 | 1,038,504            | 744,431             |
| Future income taxes <i>(Notes 3 and 10)</i>                   | 37,605               | -                   |
| Goodwill  | 414,655              | 414,655             |
|   | 1,530,671            | 1,210,704           |
| <b>LIABILITIES</b>  |                      |                     |
| Current   |                      |                     |
| Accounts payable and accrued liabilities                      | 49,348               | 49,820              |
| Cash distributions payable                                    | 9,734                | 10,564              |
| Current income taxes payable                                  | 5,235                | 5,193               |
|   | 64,317               | 65,577              |
| Bank debt <i>(Note 5)</i>                                     | 269,182              | 75,000              |
| Convertible debentures <i>(Note 6)</i>                        | 121,528              | 119,605             |
| Commodity sales contract <i>(Note 12)</i>                     | 493                  | 876                 |
| Asset retirement obligations <i>(Note 7)</i>                  | 32,470               | 24,148              |
| Future income taxes <i>(Notes 3 and 10)</i>                   | -                    | 114,367             |
|   | 487,990              | 399,573             |
| <b>NON-CONTROLLING INTEREST</b>                               |                      |                     |
| Exchangeable shares <i>(Note 8)</i>                           | 126,324              | 122,592             |
| <b>UNITHOLDERS' EQUITY</b>                                    |                      |                     |
| Unitholders' capital <i>(Note 9)</i>                          | 989,512              | 739,998             |
| Convertible debentures <i>(Note 6)</i>                        | 7,702                | 7,702               |
| Contributed surplus <i>(Note 9)</i>                           | 11,542               | 9,210               |
| Accumulated other comprehensive income <i>(Notes 2 and 9)</i> | 601                  | -                   |
| Deficit   | (93,000)             | (68,371)            |
|   | 916,357              | 688,539             |
|   | 1,530,671            | 1,210,704           |

*See accompanying notes to the consolidated financial statements*

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

|  | Three Months Ended<br>September 30 |          | Nine Months Ended<br>September 30 |          |
|--|------------------------------------|----------|-----------------------------------|----------|
| <i>(\$ thousands, except per unit amounts)</i>                             | 2007                               | 2006     | 2007                              | 2006     |
| <b>REVENUE</b>   |                                    |          |                                   |          |
| Petroleum and natural gas  | 88,480                             | 72,328   | 282,460                           | 235,335  |
| Royalties  | (19,242)                           | (18,268) | (63,167)                          | (61,673) |
|  | 69,238                             | 54,060   | 219,293                           | 173,662  |
| Realized gain on financial instruments <i>(Notes 2 and 12)</i>             | 6,324                              | 10,526   | 13,504                            | 19,487   |
| Unrealized gain/(loss) on financial instruments <i>(Notes 2 and 12)</i>    | (598)                              | -        | 1,668                             | -        |
| Other income   | 15                                 | -        | 212                               | -        |
|  | 74,979                             | 64,586   | 234,677                           | 193,149  |
| <b>EXPENSES</b>  |                                    |          |                                   |          |
| Operating  | 14,596                             | 10,041   | 40,478                            | 29,340   |
| Transportation   | 4,295                              | 2,624    | 11,242                            | 8,424    |
| General and administrative   | 2,454                              | 1,282    | 6,734                             | 4,773    |
| Unit based compensation <i>(Note 9)</i>                                    | 2,394                              | 1,363    | 6,443                             | 3,378    |
| Interest and financing   | 6,302                              | 3,286    | 15,977                            | 8,201    |
| Depletion, depreciation and accretion                                      | 37,345                             | 23,720   | 101,401                           | 70,166   |
|  | 67,386                             | 42,316   | 182,275                           | 124,282  |
| Earnings before taxes and non-controlling interest                         | 7,593                              | 22,270   | 52,402                            | 68,867   |
| <b>TAXES</b>   |                                    |          |                                   |          |
| Capital taxes  | 28                                 | 45       | 107                               | 135      |
| Future income taxes  | (5,936)                            | (1,354)  | (16,560)                          | (13,264) |
|  | (5,908)                            | (1,309)  | (16,453)                          | (13,129) |
| Net earnings before non-controlling interest                               | 13,501                             | 23,579   | 68,855                            | 81,996   |
| Non-controlling interest – exchangeable shares <i>(Note 8)</i>             | (1,592)                            | (3,327)  | (8,574)                           | (11,936) |
| <b>NET EARNINGS</b>  | 11,909                             | 20,252   | 60,281                            | 70,060   |
| <b>OTHER COMPREHENSIVE INCOME</b>  |                                    |          |                                   |          |
| Amortization of fair value of financial instruments <i>(Notes 2 and 9)</i> | (1,804)                            | -        | (9,942)                           | -        |
| <b>COMPREHENSIVE INCOME</b>  | 10,105                             | 20,252   | 50,339                            | 70,060   |
| Deficit, beginning of period   | (73,922)                           | (46,846) | (68,371)                          | (34,406) |
| Distributions  | (30,987)                           | (31,625) | (84,910)                          | (93,873) |
| Deficit, end of period   | (93,000)                           | (58,219) | (93,000)                          | (58,219) |
| <b>NET EARNINGS PER UNIT <i>(Note 9)</i></b>                               |                                    |          |                                   |          |
| Basic  | \$0.12                             | \$0.27   | \$0.67                            | \$0.94   |
| Diluted  | \$0.12                             | \$0.27   | \$0.66                            | \$0.93   |

*See accompanying notes to the consolidated financial statements*

**PROGRESS ENERGY TRUST**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(Unaudited)*

|   | Three Months Ended<br>September 30 |          | Nine Months Ended<br>September 30 |           |
|---|------------------------------------|----------|-----------------------------------|-----------|
| <i>(\$ thousands)</i>   | 2007                               | 2006     | 2007                              | 2006      |
| <b>OPERATING ACTIVITIES</b>   |                                    |          |                                   |           |
| Net earnings  | 11,909                             | 20,252   | 60,281                            | 70,060    |
| Unrealized (gain)/loss on financial instruments <i>(Notes 2 and 12)</i> | 598                                | -        | (1,668)                           | -         |
| Depletion, depreciation and accretion                                   | 37,345                             | 23,720   | 101,401                           | 70,166    |
| Non-controlling interest – exchangeable shares <i>(Note 8)</i>          | 1,592                              | 3,327    | 8,574                             | 11,936    |
| Convertible debentures accretion <i>(Note 6)</i>                        | 367                                | 229      | 1,086                             | 508       |
| Amortization of convertible debenture issue costs <i>(Note 6)</i>       | 279                                | 175      | 837                               | 438       |
| Amortization of commodity sales contract                                | (125)                              | (140)    | (383)                             | (431)     |
| Unit based compensation expense <i>(Note 9)</i>                         | 2,394                              | 1,363    | 6,443                             | 3,378     |
| Asset retirement expenditures <i>(Note 7)</i>                           | (338)                              | (354)    | (448)                             | (2,065)   |
| Future income taxes <i>(Note 10)</i>                                    | (5,936)                            | (1,354)  | (16,560)                          | (13,264)  |
|   | 48,085                             | 47,218   | 159,563                           | 140,726   |
| Changes in non-cash working capital <i>(Note 11)</i>                    | 7,605                              | 745      | 15,177                            | 4,555     |
|   | 55,690                             | 47,963   | 174,740                           | 145,281   |
| <b>FINANCING ACTIVITIES</b>   |                                    |          |                                   |           |
| Increase/(decrease) in bank debt  | 8,022                              | (54,691) | 185,058                           | (23,662)  |
| Issue of units <i>(Notes 3 and 9)</i>                                   | -                                  | -        | 252,000                           | -         |
| Unit issue costs <i>(Notes 3 and 9)</i>                                 | -                                  | -        | (13,304)                          | -         |
| Issue of 6.25% convertible debentures <i>(Note 6)</i>                   | -                                  | 75,000   | -                                 | 75,000    |
| 6.25% convertible debenture issue costs <i>(Note 6)</i>                 | -                                  | (3,375)  | -                                 | (3,375)   |
| Cash distributions  | (30,979)                           | (31,549) | (85,740)                          | (93,293)  |
| Changes in non-cash working capital <i>(Note 11)</i>                    | -                                  | 205      | -                                 | 205       |
|   | (22,957)                           | (14,410) | 338,014                           | (45,125)  |
| <b>INVESTING ACTIVITIES</b>   |                                    |          |                                   |           |
| Corporate Acquisition <i>(Note 3)</i>                                   | -                                  | -        | (523,763)                         | -         |
| Disposition <i>(Note 3)</i>   | -                                  | -        | 134,400                           | -         |
| Capital expenditures  | (23,433)                           | (30,875) | (122,868)                         | (99,348)  |
| Changes in non-cash working capital <i>(Note 11)</i>                    | (9,300)                            | (2,678)  | (8,788)                           | (808)     |
|   | (32,733)                           | (33,553) | (521,019)                         | (100,156) |
| <b>CHANGE IN CASH AND SHORT-TERM INVESTMENTS</b>                        |                                    |          |                                   |           |
| Cash and short-term investments, beginning of period                    | -                                  | -        | (8,265)                           | -         |
|   | -                                  | -        | 8,265                             | -         |
| <b>CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD</b>                   |                                    |          |                                   |           |
|   | -                                  | -        | -                                 | -         |

*See accompanying notes to the consolidated financial statements*

# PROGRESS ENERGY TRUST

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Progress Energy Trust (“Progress” or the “Trust”) is an open-ended, unincorporated investment trust governed by the laws of the province of Alberta. The principal undertaking of the Trust is to indirectly explore for, develop and hold interests in petroleum and natural gas properties through investments in securities of subsidiaries and royalty interests in petroleum and natural gas properties. Progress Energy Ltd. carries on the business of the Trust and directly owns the petroleum and natural gas properties and assets related thereto. The Trust owns, directly and indirectly, 100 percent of the common shares (excluding the exchangeable shares – see note 8) of Progress Energy Ltd. The activities of Progress Energy Ltd. are financed through interest bearing notes from the Trust and third party debt. The convertible debentures are direct obligations of the Trust. Under the Trust Indenture, the Trust may declare payable to unitholders all or any part of the income of the Trust, which is primarily comprised of interest earned on debt notes issued to Progress Energy Ltd., as well as, amounts attributed to a net profits interest (“NPI”) agreement entered into with Progress Energy Ltd. The aggregate amounts received by the Trust each period are based on the consolidated cash flow from operations before changes in non-cash working capital each period, as adjusted on a discretionary basis, for cash withheld to fund capital expenditures.

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

### Relationship with ProEx Energy Ltd.

A technical services agreement (“Technical Service Agreement”) is currently in place between the Trust and ProEx Energy Ltd. (“ProEx”) whereby the Trust provides personnel and certain administrative and technical services in connection with the management, development, exploitation and operation of the assets of ProEx and the marketing of its production. 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, 2007 was \$1.4 million and \$4.2 million, respectively (2006 – \$0.9 million and \$2.9 million).

ProEx has granted stock options and shares to employees and executives of Progress as service providers and has also participated in a new long term incentive plan by granting ProEx common shares to employees of Progress, excluding the executives. To facilitate this plan, during the second quarter, Progress purchased 173,789 ProEx common shares and has been reimbursed by ProEx for the cost incurred. The ProEx common shares will be held until the vesting date of May 3, 2009. Any forfeited shares will revert back to ProEx.

As at September 30, 2007, accounts payable included \$1.0 million (2006 – \$2.6 million) payable to ProEx which includes standard joint venture amounts including revenue. These amounts were paid subsequent to September 30, 2007.

On April 2, 2007, Progress acquired all of the issued and outstanding shares of a private company for \$523.8 million, net of certain assets retained by the vendor. In conjunction with the acquisition, on April 2, 2007, Progress disposed of certain assets of the private company to ProEx for \$134.4 million.

## 1. SUMMARY OF ACCOUNTING POLICIES

The interim consolidated financial statements of the Trust have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Trust for the year ended December 31, 2006, except for the change described in note 2. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Trust's annual report for the year ended December 31, 2006.

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

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

## 2. CHANGE IN ACCOUNTING POLICY

On January 1, 2007 Progress adopted the new accounting standards regarding the recognition, measurement, disclosure and presentation of financial instruments. In conjunction with the adoption of these new standards, the Trust elected not to use hedge accounting for its natural gas derivative contracts under its risk management program. The fair value of the commodity contracts is recognized at each reporting period with the change in the fair value being classified as an unrealized gain or loss on the statement of earnings. In accordance with the transitional provisions of the standards, the accounting for hedging relationships for prior periods is not retroactively adjusted, therefore, there has been no restatement of the prior periods. On adoption, the Trust recognized a current asset of \$15.6 million for the fair value of its natural gas derivative contracts and an increase to the future income tax liability and accumulated other comprehensive income of \$5.1 million and \$10.5 million, respectively. The \$10.5 million in accumulated other comprehensive income will be amortized through other comprehensive income and unrealized gain or loss on financial instruments on the statement of earnings over the term of the contracts. As a result, for the three months ended September 30, 2007 \$1.8 million, net of tax, was charged to other comprehensive income with a corresponding unrealized gain on financial instruments of \$2.7 million and a charge to future income tax expense of \$0.9 million. For the nine months ended September 30, 2007 \$9.9 million, net of tax, was charged to other comprehensive income with a corresponding unrealized gain on financial instruments of \$14.7 million and a charge to future income tax expense of \$4.8 million.

The impact of the change in fair value from January 1, 2007 to September 30, 2007 is disclosed in note 12. Certain comparative amounts have been reclassified to conform to the presentation adopted in 2007.

## 3. CORPORATE ACQUISITION

On April 2, 2007 Progress acquired all of the issued and outstanding shares of a private company for \$523.8 million, net of certain assets retained by the vendor. In conjunction with the acquisition, on April 2, 2007, Progress disposed of certain assets of the private company to ProEx for \$134.4 million. The resulting net cash consideration of \$389.4 million was financed by the issuance of 21.0 million trust units at a price of \$12.00 per trust unit for proceeds of \$252.0 million (\$238.7 million net of issue costs) and through increased bank debt. Included in the acquisition was approximately \$719.0 million of tax pools which are available to Progress to shelter future taxable income. As a result a \$136.5 million future income tax asset was

recognized on the acquisition. Using the purchase method of accounting, the net assets acquired and consideration paid were as follows:

|                                  |                |
|----------------------------------|----------------|
| <b>Net assets acquired</b>       |                |
| Working capital                  | 814            |
| Bank debt                        | (9,123)        |
| Property, plant and equipment    | 266,823        |
| Future income taxes              | 136,487        |
| Asset retirement obligations     | (5,638)        |
| <b>Total net assets acquired</b> | <b>389,363</b> |
| <b>Consideration</b>             |                |
| Cash                             | 519,497        |
| Proceeds of asset disposition    | (134,400)      |
| Acquisition costs                | 4,266          |
| <b>Total purchase price</b>      | <b>389,363</b> |

The above amounts are estimates which were made by Management based on information currently available. Amendments may be made to these amounts as values subject to estimate are finalized.

#### 4. PROPERTY, PLANT AND EQUIPMENT

|   | September 30<br>2007 | December 31<br>2006 |
|---|----------------------|---------------------|
| Property, plant and equipment             | 1,394,258            | 1,001,785           |
| Conversions of exchangeable shares        | 47,258               | 46,014              |
| Accumulated depletion and depreciation    | (403,012)            | (303,368)           |
| <b>Property, plant and equipment, net</b> | <b>1,038,504</b>     | <b>744,431</b>      |

On May 31, 2007 Progress acquired certain petroleum and natural gas assets in the Deep Basin region of northwest Alberta for \$40.9 million, net of final closing adjustments.

The conversion of exchangeable shares held by previous Progress Energy Ltd. shareholders to Trust units is accounted for as a step-purchase. Consequently a charge of \$1.2 million was made to property, plant and equipment for the nine months ended September 30, 2007 (2006 - \$13.4 million).

The calculation of 2007 depletion and depreciation expense included an estimated \$50.0 million for future development costs associated with proved undeveloped reserves and excluded \$25.7 million for the estimated future net realizable value of production equipment and facilities and \$98.5 million for the estimated value of unproven properties. Depletion and depreciation expense for the three and nine months ended September 30, 2007 was \$36.7 million and \$99.6 million, respectively (2006 - \$23.3 million and \$68.9 million).

Included in the Trust's property, plant and equipment balance is \$19.6 million, net of accumulated depletion, related to asset retirement obligations (\$29.7 million before accumulated depletion) (Refer to note 7).

The Trust capitalized approximately \$0.6 million of geological and geophysical compensation costs associated with the exploration and development of capital assets during the nine months ended September 30, 2007 (2006 - \$1.5 million).

## 5. BANK DEBT

|                      | September 30<br>2007 | December 31<br>2006 |
|----------------------|----------------------|---------------------|
| Direct advances      | 14,182               | -                   |
| Banker's acceptances | 255,000              | 75,000              |
| Total bank debt      | 269,182              | 75,000              |

At September 30, 2007 the Trust's credit facilities consisted of a \$340 million extendible revolving term credit facility and a \$35 million working capital credit facility with a syndicate of banks resulting in total credit facilities of \$375 million. The facilities are available on a revolving basis for a period of at least 364 days until May 27, 2008, and such initial term out date may be extended for further 364 day periods at the request of the Trust, subject to approval by the banks. Following the term out date, the facilities will be available on a non-revolving basis for a one year term, at which time the facilities would be due and payable. Various borrowing options are available under the facilities including prime rate based advances and banker's acceptance loans. Average cost of borrowing under these facilities for the nine months ended September 30, 2007 was 5.2 percent (2006 – 5.1 percent). The credit facilities are secured by a \$1 billion fixed and floating charge debenture on the assets of Progress Energy Ltd. and by a guarantee and subordination provided by Progress Energy Ltd. in respect of the Trust's obligations. The \$375 million borrowing base is subject to semi-annual review by the banks.

## 6. CONVERTIBLE DEBENTURES

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

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

|  | Nine Months Ended September 30 |        |         |          |        |          |
|--|--------------------------------|--------|---------|----------|--------|----------|
|  | 2007                           |        |         | 2006     |        |          |
| Debentures                                       | 6.75%                          | 6.25%  | Total   | 6.75%    | 6.25%  | Total    |
| Principal, beginning of period <sup>1</sup>      | 55,727                         | 75,000 | 130,727 | 86,182   | 75,000 | 161,182  |
| Converted to Trust Units                         | -                              | -      | -       | (30,455) | -      | (30,455) |
| Principal, end of period                         | 55,727                         | 75,000 | 130,727 | 55,727   | 75,000 | 130,727  |
| Debt portion, beginning of period <sup>1</sup>   | 52,300                         | 67,305 | 119,605 | 79,381   | 66,679 | 146,060  |
| Accretion  | 379                            | 707    | 1,086   | 408      | 100    | 508      |
| Amortization of issue costs                      | 350                            | 487    | 837     | 381      | 57     | 438      |
| Converted to Trust Units <sup>2</sup>            | -                              | -      | -       | (28,113) | -      | (28,113) |
| Debt portion, end of period                      | 53,029                         | 68,499 | 121,528 | 52,057   | 66,836 | 118,893  |
| Equity portion, beginning of period <sup>1</sup> | 2,756                          | 4,946  | 7,702   | 4,261    | 4,946  | 9,207    |
| Converted to Trust Units                         | -                              | -      | -       | (1,505)  | -      | (1,505)  |
| Equity portion, end of period                    | 2,756                          | 4,946  | 7,702   | 2,756    | 4,946  | 7,702    |

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

(2) Net of unamortized issue costs.

Total interest charged to earnings for the three months ended September 30, 2007 was \$2.8 million (2006 - \$1.9 million) which includes \$0.4 million of debenture accretion (2006 - \$0.2 million) and \$0.3 million of amortized issue costs (2006 - \$0.2 million).

Total interest charged to earnings for the nine months ended September 30, 2007 was \$8.3 million (2006 - \$4.6 million) which includes \$1.1 million of debenture accretion (2006 - \$0.5 million) and \$0.8 million of amortized issue costs (2006 - \$0.4 million).

## 7. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations were estimated based on the Trust's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows required to settle the asset retirement obligations is approximately \$58.9 million which will be incurred over the next 41 years with the majority of costs incurred between 2009 and 2020. A credit adjusted risk-free rate of eight percent was used to calculate the fair value of the asset retirement obligations. The following reconciles the Trust's asset retirement obligations:

|                               | Nine Months Ended<br>September 30 |         |
|-------------------------------|-----------------------------------|---------|
|                               | 2007                              | 2006    |
| Balance, beginning of period  | 24,148                            | 20,906  |
| Liabilities incurred          | 1,375                             | 3,251   |
| Liabilities settled           | (448)                             | (2,065) |
| Acquisition ( <i>Note 3</i> ) | 5,638                             | -       |
| Disposition                   | -                                 | (374)   |
| Accretion expense             | 1,757                             | 1,268   |
| Balance, end of period        | 32,470                            | 22,986  |

## 8. NON-CONTROLLING INTEREST - EXCHANGEABLE SHARES

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

|                                  | Nine months ended September 30 |         |             |          |
|----------------------------------|--------------------------------|---------|-------------|----------|
|                                  | 2007                           |         | 2006        |          |
|                                  | Number                         | Amount  | Number      | Amount   |
| <b>Exchangeable Shares</b>       |                                |         |             |          |
| Balance, beginning of period     | 9,642,540                      | 122,592 | 11,388,751  | 127,205  |
| Exchanged for trust units        | (375,066)                      | (4,842) | (1,738,811) | (20,037) |
| Non-controlling interest expense |                                | 8,574   |             | 11,936   |
| Balance, end of period           | 9,267,474                      | 126,324 | 9,649,940   | 119,104  |

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.

### 9. UNITHOLDERS' EQUITY

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

#### Unitholders' Capital

|  | Nine months ended September 30 |                |                   |                |
|--|--------------------------------|----------------|-------------------|----------------|
|  | 2007                           |                | 2006              |                |
|  | Number                         | Amount         | Number            | Amount         |
| <b>Trust Units</b>                             |                                |                |                   |                |
| Balance, beginning of period                   | 75,457,291                     | 739,998        | 71,302,265        | 681,263        |
| Issued for cash ( <i>Note 3</i> )              | 21,000,000                     | 252,000        | -                 | -              |
| Exchangeable shares converted                  | 504,886                        | 5,716          | 2,114,992         | 29,004         |
| Unit based compensation                        | 381,367                        | 5,102          | -                 | -              |
| Issued on conversion of convertible debentures | -                              | -              | 2,030,321         | 29,618         |
| Unit issue costs ( <i>Note 3</i> )             |                                | (13,304)       |                   | -              |
| <b>Balance, end of period</b>                  | <b>97,343,544</b>              | <b>989,512</b> | <b>75,447,578</b> | <b>739,885</b> |

On June 28, 2007 381,367 units were issued to settle the performance units vesting on July 2, 2007, resulting in \$5.1 million being transferred from contributed surplus to unitholders' capital.

## 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<br>September 30 |            | Nine Months Ended<br>September 30 |            |
|---|------------------------------------|------------|-----------------------------------|------------|
|   | 2007                               | 2006       | 2007                              | 2006       |
| Weighted average trust units - basic                                      | 97,297,822                         | 75,190,280 | 89,943,734                        | 74,229,439 |
| Trust units issuable on conversion of<br>exchangeable shares <sup>1</sup> | 13,139,048                         | 12,457,109 | 13,247,052                        | 13,080,522 |
| Performance units   | 498,983                            | 542,264    | 693,118                           | 469,035    |
| Weighted average trust units - diluted                                    | 110,935,853                        | 88,189,653 | 103,883,904                       | 87,778,996 |

(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 \$1.6 million and \$8.6 million for the three and nine months ended September 30, 2007 (2006 - \$3.3 million and \$11.9 million) is required in the diluted earnings per unit calculation to provide for earnings attributable to non-controlling interest. Units potentially issuable on the conversion of the Debentures are anti-dilutive and are not included in the calculation of diluted weighted average units for the three and nine months ended September 30, 2007.

## Performance Unit Incentive Plan

The Trust has established a Performance Unit Incentive Plan (the "Plan") for employees and directors of the Trust or its subsidiary that includes both performance units and units under a long term incentive component. The number of units reserved for issuance under the Plan shall not exceed five percent of the aggregate number of issued and outstanding units of the Trust and the number of units which may be issued on the exchange of the outstanding exchangeable shares, which may be converted into trust units.

### *Performance Units*

Under the Plan, performance units shall be granted by the Board of Directors of Progress Energy Ltd. from time to time at its sole discretion. The performance units will vest on the third anniversary of the date of grant and actual payment will be determined based on the performance of the Trust relative to its peers. Performance factors range from 0.5 to 1.5 times the initial performance units granted except for performance units granted to the Trust's executives effective July 2, 2007 which can range from 0 to 3 times. Over the three year term the performance units will attract distributions. The Trust expects to pay out the distribution portion in cash while the units earned will be issued from treasury.

### *Long Term Incentive Component*

During the second quarter of 2007, the performance unit incentive plan (the "Plan") was modified to include a new long term incentive component ("LTI component") for non-executive employees. Awards granted under the LTI component of the Plan will vest over three years with 40% vesting on the second anniversary of the date of grant and 60% vesting on the third anniversary of the date of grant. An additional 15% grant will be paid if the holder holds the units received on the second anniversary date for one additional year. As at September 30, 2007, 176,855 units are outstanding under the LTI component at an average value of \$14.45

per unit, resulting in a total compensation cost of \$2.6 million of which \$2.2 million will be recognized through unit based compensation expense and \$0.4 million will be capitalized over the vesting period.

On June 28, 2007 381,367 units were issued to settle the performance units that vested on July 2, 2007, resulting in \$5.1 million being transferred from contributed surplus to unitholders' capital.

As at September 30, 2007 there are 483,800 performance units outstanding that were granted effective July 2, 2005. During the second quarter of 2007, the estimated performance factor for this grant was increased from 1.0 to 1.5 based on the Trust's operating performance. The fair value of the performance units using a performance factor of 1.5 is approximately \$10.9 million of which \$9.6 million will be amortized through unit based compensation expense and \$1.3 million will be capitalized over the vesting period with a corresponding increase to contributed surplus. Actual performance factors will not be determined until the end of the performance period.

As at September 30, 2007, there are 402,750 performance units outstanding that were granted effective July 2, 2006. During the second quarter, the estimated performance factor for this grant was increased from 1.0 to 1.5 based on the Trust's operating performance. The fair value of the performance units using a performance factor of 1.5 was approximately \$9.1 million. Over the three year vesting period, approximately \$8.1 million will be amortized through unit based compensation expense and \$1.0 million will be capitalized over the vesting period with a corresponding increase to contributed surplus. Actual performance factors will not be determined until the end of the performance period.

As at September 30, 2007, there are 486,750 performance units outstanding that were granted effective July 2, 2007. The fair value of the performance units using a performance factor of 1.0 was approximately \$6.3 million. Over the three year vesting period, approximately \$5.6 million will be amortized through unit based compensation expense and \$0.7 million will be capitalized over the vesting period with a corresponding increase to contributed surplus. Actual performance factors will not be determined until the end of the performance period.

For the three and nine months ended September 30, 2007 \$2.4 million and \$6.4 million, respectively were charged to unit based compensation expense (2006 – \$1.4 million and \$3.4 million) and \$0.3 million and \$1.0 million, respectively were capitalized (2006 – \$0.2 million and \$0.6 million) relating to the total performance units and units under the LTI component outstanding.

| Performance Units            | Nine Months Ended<br>September 30 |           |
|------------------------------|-----------------------------------|-----------|
|                              | 2007                              | 2006      |
| Balance, beginning of period | 1,300,717                         | 898,367   |
| Granted                      | 503,650                           | 412,650   |
| Settled                      | (381,367)                         | -         |
| Forfeited                    | (49,700)                          | (18,300)  |
| Balance, end of period       | 1,373,300                         | 1,292,717 |
|                              | As at September 30                |           |
|                              | 2007                              |           |
| <b>Vesting Date</b>          |                                   |           |
| July 2, 2008 <sup>1</sup>    |                                   | 483,800   |
| July 2, 2009 <sup>1</sup>    |                                   | 402,750   |
| July 2, 2010                 |                                   | 486,750   |
| Total                        |                                   | 1,373,300 |

(1) Using the current anticipated performance factor of 1.5 times, 725,700 units and 604,125 units, respectively, will be issued on the vesting of the 2008 and 2009 performance units.

| Units under LTI Component    | Nine Months Ended<br>September 30 |         |
|------------------------------|-----------------------------------|---------|
|                              | 2007                              | 2006    |
| Balance, beginning of period | -                                 | -       |
| Granted                      | 185,999                           | -       |
| Forfeited                    | (9,144)                           | -       |
| Balance, end of period       | 176,855                           | -       |
|                              | As at September 30<br>2007        |         |
| <b>Vesting Date</b>          |                                   |         |
| May 1, 2009                  |                                   | 70,742  |
| May 1, 2010                  |                                   | 106,113 |
| Total <sup>1</sup>           |                                   | 176,855 |

(1) If the units vesting May 1, 2009 are held by the LTI holder until May 1, 2010 an additional 26,528 units will be issued by the Trust.

The following table reconciles the Trust's contributed surplus:

|                                     | Three Months Ended<br>September 30 |       | Nine Months Ended<br>September 30 |       |
|-------------------------------------|------------------------------------|-------|-----------------------------------|-------|
|                                     | 2007                               | 2006  | 2007                              | 2006  |
| Balance, beginning of period        | 8,810                              | 5,874 | 9,210                             | 3,530 |
| Unit based compensation expense     | 2,394                              | 1,363 | 6,443                             | 3,378 |
| Unit based compensation capitalized | 338                                | 239   | 991                               | 568   |
| Settlements                         | -                                  | -     | (5,102)                           | -     |
| Balance, end of period              | 11,542                             | 7,476 | 11,542                            | 7,476 |

#### Accumulated other comprehensive income

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

|  | Three Months Ended<br>September 30 |      | Nine Months Ended<br>September 30 |      |
|--|------------------------------------|------|-----------------------------------|------|
|  | 2007                               | 2006 | 2007                              | 2006 |
| Balance, beginning of period   | 2,405                              | -    | -                                 | -    |
| Change in accounting policy, net of tax of \$5,072 (Note 2)  | -                                  | -    | 10,543                            | -    |
| Amortization of fair value of financial instruments, net of tax of \$868 and \$4,783, respectively | (1,804)                            | -    | (9,942)                           | -    |
| Balance, end of period   | 601                                | -    | 601                               | -    |

## 10. TAXES

On June 12, 2007 the federal government's bill regarding the taxation of distributions from trust's beginning January 1, 2011 became substantively enacted. As a result, a recovery of \$7.6 million was recognized in the future income tax provision for the nine months ended September 30, 2007 on the recognition of a \$7.6 million future income tax asset in the Trust.

The future income tax provision for the nine months ended September 30, 2006 includes a recovery of \$8.2 million relating to a reduction in future federal and provincial income tax rates enacted during the period and includes the impact of certain tax balance adjustments.

## 11. SUPPLEMENTAL CASH FLOW INFORMATION

### Changes in non-cash working capital

|                                    | Three Months Ended<br>September 30 |         | Nine Months Ended<br>September 30 |          |
|------------------------------------|------------------------------------|---------|-----------------------------------|----------|
|                                    | 2007                               | 2006    | 2007                              | 2006     |
| Accounts receivable                | 6,162                              | (1,820) | 30,277                            | 18,756   |
| Prepaid expenses and deposits      | 189                                | 465     | (1,494)                           | 666      |
| Accounts payable                   | (8,058)                            | (1,071) | (22,436)                          | (15,676) |
| Current income taxes payable       | 12                                 | 698     | 42                                | 206      |
| Change in non-cash working capital | (1,695)                            | (1,728) | 6,389                             | 3,952    |
| Relating to:                       |                                    |         |                                   |          |
| Financing activities               | -                                  | 205     | -                                 | 205      |
| Investing activities               | (9,300)                            | (2,678) | (8,788)                           | (808)    |
| Operating activities               | 7,605                              | 745     | 15,177                            | 4,555    |

### Interest and taxes paid

|                             | Three Months Ended<br>September 30 |      | Nine Months Ended<br>September 30 |       |
|-----------------------------|------------------------------------|------|-----------------------------------|-------|
|                             | 2007                               | 2006 | 2007                              | 2006  |
| Interest paid               | 6,118                              | 483  | 15,489                            | 8,621 |
| Income and other taxes paid | 17                                 | 38   | 66                                | 621   |

## 12. FINANCIAL INSTRUMENTS

### Fair Value of Financial Instruments

The Trust's financial instruments recognized on the balance sheet consist of accounts receivable, accounts payable and accrued liabilities, bank debt, convertible debentures and derivative natural gas contracts ("financial instruments"). The fair value of these instruments, excluding the convertible debentures and the derivative natural gas contracts, approximate their carrying amounts due to their short terms to maturity or the indexed rate of interest on the bank debt. The fair value of the convertible debentures outstanding as at September 30, 2007 was approximately \$130.0 million (2006 - \$134.1 million). The fair value of the natural gas contracts is recognized on the balance sheet as described below.

## Commodity Price Contracts

The Trust has entered into several derivative natural gas financial instruments for the purpose of protecting its cash flow from operations before changes in non-cash working capital from the volatility of natural gas prices. For the three months ended September 30, 2007, the Trust's natural gas price risk management program had a net realized gain of \$6.3 million (2006 - \$10.7 million net gain). For the nine months ended September 30, 2007, the Trust's natural gas price risk management program had a net realized gain of \$13.5 million (2006 - \$19.5 million net gain).

As described in note 2, the Trust recognizes the fair value of its commodity price contracts on the balance sheet each reporting period with the change in fair value being recognized as an unrealized gain or loss on the statement of earnings. On January 1, 2007 the fair value of the commodity price contracts was an asset of \$15.6 million and resulted in an increase to accumulated other comprehensive income and the future income tax liability of \$10.5 million and \$5.1 million, respectively. The \$10.5 million recognized in accumulated other comprehensive income is being amortized over the term of the contracts through other comprehensive income with a corresponding unrealized gain on financial instruments on the statement of earnings. As a result, for the three months ended September 30, 2007 \$1.8 million, net of tax, was charged to other comprehensive income with a corresponding unrealized gain on financial instruments of \$2.7 million and a charge to future income tax expense of \$0.9 million. For the nine months ended September 30, 2007 \$9.9 million, net of tax, was charged to other comprehensive income with a corresponding unrealized gain on financial instruments of \$14.7 million and a charge to future income tax expense of \$4.8 million. At September 30, 2007 the fair value was an asset of \$2.6 million, resulting in an unrealized loss for the three months ended September 30, 2007 of \$0.6 million and an unrealized gain of \$1.7 million for the nine months ended September 20, 2007, net of the amortization of the accumulated other comprehensive income.

Contracts outstanding in respect to financial instruments are as follows:

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

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

## Commodity Sales Contract

The following physical gas sales contract was outstanding at September 30, 2007. This contract was acquired in conjunction with the acquisition of Champion Resources Ltd. on June 3, 2002, at which time the fair value of the contracts was a liability of \$4.1 million. This value was recorded as a liability on June 3, 2002, and is being amortized over the life of the contract. At September 30, 2007 the unamortized remaining liability was \$0.5 million.

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

## SELECTED QUARTERLY INFORMATION

### FINANCIAL HIGHLIGHTS

|   | Three Months Ended |            |            |           |             |            |            |
|---|--------------------|------------|------------|-----------|-------------|------------|------------|
|   | 2006               |            |            |           | 2007        |            |            |
| <i>(\$ thousands except per unit amounts)</i>                               | March<br>31        | June<br>30 | Sept<br>30 | Dec<br>31 | March<br>31 | June<br>30 | Sept<br>30 |
| <b>Income Statement</b>   |                    |            |            |           |             |            |            |
| Petroleum and natural gas revenue   | 91,568             | 71,439     | 72,328     | 75,182    | 85,477      | 108,503    | 88,480     |
| Cash flow <sup>1</sup>  | 47,637             | 45,871     | 47,218     | 49,603    | 53,080      | 58,398     | 48,085     |
| Per unit - diluted  | 0.55               | 0.52       | 0.54       | 0.56      | 0.60        | 0.53       | 0.43       |
| Cash distributions declared   | 30,836             | 31,412     | 31,626     | 31,689    | 24,831      | 29,092     | 30,987     |
| Per unit  | 0.42               | 0.42       | 0.42       | 0.42      | 0.30        | 0.30       | 0.30       |
| Net earnings  | 21,383             | 28,425     | 20,252     | 21,538    | 16,425      | 31,947     | 11,909     |
| Per unit - basic  | 0.29               | 0.38       | 0.27       | 0.29      | 0.22        | 0.33       | 0.12       |
| Per unit - diluted  | 0.29               | 0.38       | 0.27       | 0.28      | 0.22        | 0.33       | 0.12       |
| <b>Payout Ratio</b>   |                    |            |            |           |             |            |            |
| Excluding exchangeable shares   | 65%                | 68%        | 67%        | 64%       | 47%         | 50%        | 64%        |
| Including exchangeable shares   | 76%                | 80%        | 78%        | 75%       | 54%         | 56%        | 73%        |
| <b>Balance Sheet</b>  |                    |            |            |           |             |            |            |
| Capital expenditures  | 35,984             | 32,489     | 30,875     | 35,304    | 43,601      | 55,834     | 23,433     |
| Total debt  | 172,106            | 182,873    | 190,531    | 208,564   | 252,000     | 410,696    | 417,678    |
| Unitholders' equity   | 687,953            | 694,236    | 696,844    | 688,539   | 689,909     | 933,606    | 916,357    |
| <b>Trust Units <i>(thousands, except where otherwise stated)</i></b>        |                    |            |            |           |             |            |            |
| Units outstanding, end of period  | 74,315             | 74,901     | 75,448     | 75,457    | 75,799      | 97,262     | 97,344     |
| Units issuable for exchangeable shares                                      | 12,309             | 12,314     | 12,301     | 12,657    | 12,665      | 12,859     | 13,093     |
| Total units outstanding and issuable for exchangeable shares, end of period | 86,624             | 87,215     | 87,749     | 88,114    | 88,464      | 110,121    | 110,437    |
| Weighted average units – diluted <sup>2</sup>                               | 86,579             | 87,557     | 88,190     | 88,623    | 89,039      | 109,965    | 110,936    |
| Exchange ratio, end of period   | 1.21322            | 1.24284    | 1.27469    | 1.31263   | 1.34944     | 1.37885    | 1.41278    |
| <b>Trust Unit Trading Statistics (\$)</b>                                   |                    |            |            |           |             |            |            |
| High  | 18.20              | 18.33      | 17.50      | 16.21     | 13.29       | 15.79      | 13.44      |
| Low   | 14.75              | 14.73      | 14.21      | 10.60     | 11.00       | 12.76      | 10.96      |
| Closing   | 17.45              | 16.30      | 15.30      | 12.57     | 13.07       | 12.93      | 12.03      |
| Unit volume traded (thousands)  | 18,619             | 12,619     | 15,524     | 23,725    | 23,116      | 23,310     | 25,679     |
| <b>Exchangeable Shares Trading Statistics (\$)</b>                          |                    |            |            |           |             |            |            |
| High  | 21.29              | 21.76      | 22.48      | 20.40     | 17.50       | 20.50      | 18.15      |
| Low   | 18.49              | 18.28      | 18.60      | 14.90     | 14.84       | 17.90      | 15.01      |
| Closing   | 20.70              | 19.57      | 18.60      | 16.21     | 17.50       | 18.60      | 16.51      |
| Share volume traded (thousands)   | 85                 | 15         | 69         | 31        | 13          | 27         | 92         |

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

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

## SELECTED QUARTERLY INFORMATION

### OPERATIONAL HIGHLIGHTS

|   | Three Months Ended |            |            |           |             |            |            |
|---|--------------------|------------|------------|-----------|-------------|------------|------------|
|   | 2006               |            |            |           | 2007        |            |            |
|   | March<br>31        | June<br>30 | Sept<br>30 | Dec<br>31 | March<br>31 | June<br>30 | Sept<br>30 |
| <b>Daily Production</b>                         |                    |            |            |           |             |            |            |
| Natural gas (mcf/d)                             | 86,433             | 82,271     | 85,701     | 88,568    | 94,351      | 127,255    | 120,804    |
| Crude oil (bbls/d)                              | 2,605              | 2,099      | 2,056      | 2,030     | 2,118       | 2,134      | 2,268      |
| Natural gas liquids (bbls/d)                    | 1,390              | 1,478      | 1,327      | 1,269     | 1,379       | 1,485      | 1,370      |
| Total daily production (boe/d)                  | 18,401             | 17,288     | 17,667     | 18,060    | 19,222      | 24,828     | 23,772     |
| <b>Average Realized Prices</b>                  |                    |            |            |           |             |            |            |
| Natural gas (\$/mcf)                            | 8.82               | 6.55       | 6.30       | 7.07      | 7.87        | 7.52       | 5.77       |
| Crude oil (\$/bbl)                              | 64.45              | 72.79      | 75.69      | 59.26     | 62.15       | 68.37      | 78.77      |
| Natural gas liquids (\$/bbl)                    | 62.86              | 63.34      | 68.29      | 55.71     | 55.08       | 60.51      | 62.91      |
| <b>Highlights (\$/boe)</b>                      |                    |            |            |           |             |            |            |
| Weighted average sales price                    | 55.29              | 45.41      | 44.50      | 45.25     | 49.41       | 48.03      | 40.46      |
| Realized gain/(loss) on financial instruments   | (0.37)             | 6.08       | 6.47       | 6.29      | 4.04        | 0.08       | 2.89       |
| Royalties                                       | (14.87)            | (11.94)    | (11.24)    | (10.29)   | (11.67)     | (10.51)    | (8.80)     |
| Operating expenses                              | (5.81)             | (6.15)     | (6.18)     | (6.63)    | (6.38)      | (6.57)     | (6.67)     |
| Transportation expenses                         | (1.91)             | (1.68)     | (1.61)     | (1.56)    | (1.60)      | (1.85)     | (1.96)     |
| Operating Netbacks                              | 32.33              | 31.72      | 31.94      | 33.06     | 33.80       | 29.18      | 25.92      |
| Other income                                    | -                  | -          | -          | -         | -           | 0.09       | 0.01       |
| General and administrative expense              | (1.08)             | (1.08)     | (0.79)     | (0.93)    | (1.14)      | (1.02)     | (1.12)     |
| Unit based compensation                         | (0.61)             | (0.64)     | (0.84)     | (0.90)    | (0.86)      | (1.13)     | (1.09)     |
| Interest and financing expenses                 | (1.45)             | (1.60)     | (2.02)     | (2.16)    | (2.19)      | (2.61)     | (2.88)     |
| Unrealized gain/(loss) on financial instruments | -                  | -          | -          | -         | (4.76)      | 4.65       | (0.27)     |
| Depletion, depreciation and accretion           | (14.27)            | (14.49)    | (14.59)    | (14.77)   | (14.91)     | (16.94)    | (17.08)    |
| Net earnings before taxes                       | 14.92              | 13.91      | 13.70      | 14.30     | 9.94        | 12.22      | 3.49       |
| Capital taxes                                   | (0.20)             | 0.16       | (0.03)     | (0.03)    | (0.03)      | (0.02)     | (0.02)     |
| Future income taxes (recovery)                  | 0.56               | 6.98       | 0.83       | 0.85      | 1.16        | 3.82       | 2.71       |
| Non-controlling interest – exchangeable shares  | (3.16)             | (3.32)     | (2.37)     | (2.16)    | (1.58)      | (1.88)     | (0.73)     |
| Net earnings                                    | 12.91              | 18.07      | 12.46      | 12.96     | 9.49        | 14.14      | 5.45       |
| <b>Drilling Results</b>                         |                    |            |            |           |             |            |            |
| Gross   | 39                 | 15         | 22         | 30        | 29          | 6          | 17         |
| Net – natural gas                               | 18.8               | 11.0       | 9.8        | 15.6      | 11.7        | 4.8        | 9.3        |
| Net – crude oil                                 | 0.8                | 0.4        | 1.6        | 2.0       | -           | -          | -          |
| Success Rate (percent)                          | 93                 | 100        | 95         | 100       | 89          | 100        | 100        |

## **CORPORATE INFORMATION**

### **DIRECTORS**

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

Donald F. Archibald <sup>(1)(4)(5)</sup>  
Chairman & CEO  
Cyries Energy Inc.  
Calgary, Alberta

John A. Brussa <sup>(3)(5)</sup>  
Partner  
Burnet, Duckworth and Palmer LLP  
Calgary, Alberta

Frederic C. Coles <sup>(1)(2)(4)(5)</sup>  
Independent Businessman  
Calgary, Alberta

Howard J. Crone <sup>(1)(2)(4)(5)</sup>  
Independent Businessman  
Calgary, Alberta

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

Gary E. Perron <sup>(1)(3)(5)</sup>  
Senior Vice President and  
Managing Director  
BMO Nesbitt Burns  
Calgary, Alberta

<sup>(1)</sup> Member of Audit Committee

<sup>(2)</sup> Member of Reserve Committee

<sup>(3)</sup> Member of Compensation  
Committee

<sup>(4)</sup> Member of Technical Services  
Committee

<sup>(5)</sup> Member of Corporate Governance  
and Nominating Committee

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

### **OFFICERS**

David D. Johnson  
Chairman

Michael R. Culbert  
President & CEO

Steven A. Allaire  
Senior Vice President

Greg W. Kist  
Vice President, Investor Relations  
and Marketing

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

Cindy R. Rutherford  
Vice President, Land

Neil H. Samis  
Vice President, Production

Daniel C. Topolinsky  
Vice President, Exploration

Gary R. Bugeaud  
Secretary

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Computershare Trust Company  
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Calgary, Alberta

### **STOCK EXCHANGE**

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

### **SOLICITOR**

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### **AUDITOR**

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