Q1 EXPLORATION RESULTS POSITION PROGRESS TO ACHIEVE STRONG YEAR

HIGHLIGHTS		Three Months Ended March 31 2003	2002	% Change
Financial	*($ thousands, except per share amounts)*			
	Gross revenue	27,915	6,099	+358
	Cash flow from operations	16,080	3,349	+380
	Basic per share	0.52	0.15	+247
	Diluted per share	0.49	0.14	+250
	Net earnings	6,522	160	+3976
	Basic per share	0.21	0.01	+2000
	Diluted per share	0.20	0.01	+1900
	Capital expenditures	25,476	4,987	+411
Operations	Production			
	Crude oil *(bbls/d)*	2,094	1,670	+25
	Natural gas liquids *(bbls/d)*	311	40	+678
	Natural gas *(mcf/d)*	26,830	8,083	+232
	Total production *(boe/d @ 6:1)*	6,877	3,057	+125
	Average sales price			
	Crude oil *($/bbl)*	42.38	24.73	+71
	Natural gas liquids *($/bbl)*	38.99	24.71	+58
	Natural gas *($/mcf)*	7.80	3.15	+148
	Netback per boe *(6:1) ($)*			
	Petroleum and natural gas sales	45.10	22.17	+103
	Royalties	10.35	3.66	+183
	Operating expenses	5.42	4.34	+25
	Operating netback	29.33	14.17	+107

ACCOMPLISHMENTS

- The Company completed its most active quarter with the drilling of 19.5 net wells compared to 15.7 during all of 2002.
- From a reserve perspective the first quarter drilling program has resulted in more than the replacement of the Company's entire 2003 projected production.
- Three 3-D seismic surveys shot during the first quarter have assisted Progress in increasing drillable prospect inventory.
- Core area undeveloped land under control increased by 64,000 acres as a result of crown purchases, property acquisitions and industry farm-ins.
- As a result of the successful activity in the first quarter the Company has increased its capital budget for 2003 to $65 million from $50 million.
- Natural gas production increased 232% over the same period last year on the strength of the 2002 acquisitions as well as successful drilling at Gilby, Alberta and Fort St. John, British Columbia.
- Four compressor installations as well as several individual well tie-ins completed late in the quarter contributed to an exit rate of 7,500 boe per day.
- First quarter drilling has resulted in approximately 900 boe per day of behind pipe production awaiting completion or tie-in.

Progress is listed on the Toronto Stock Exchange, symbol PGX
For more information contact: David Johnson, President & CEO or Steven Allaire, Vice President Finance & CFO
Tel: (403) 216-2510 or Fax: (403) 216-2514 www.progressenergy.com

SHAREHOLDER UPDATE

EXPLORATION

Progress' first quarter of 2003 was the busiest in the Company's history as it began to capitalize on its high quality inventory of drilling, seismic and land acquisition opportunities acquired in the later half of 2002. The Company drilled 24 gross (19.5 net) wells with a success rate of 75 percent, shot three 3-D seismic and two 2-D programs, and added over 64,000 net undeveloped acres of land in the quarter. Of particular note is that almost half of the 24 wells drilled in the quarter were successful exploratory drills that will lead to development activities in the later part of 2003 and beyond. In addition, initial results from newly acquired 3-D seismic surveys have confirmed and provided geological leads identified by the Company. The bulk of Progress' $3 million first quarter land expenditures were spent on opportunities defined in advance by proprietary 3-D and 2-D seismic programs. These land acquisitions consist primarily of drill ready prospects that will be drilled during the balance of 2003 and through 2004.

In northeast British Columbia, Progress drilled eleven wells resulting in nine discoveries, one service well and one dry hole. Specifically, one successful gas well was drilled and one 20 square kilometer 3-D program recorded in the westerly shallow foothills, a region rich in natural gas that is becoming of increasing economic importance for the Company. In the Fort St. John plains region, the Company shot two 3-D and two 2-D seismic programs and drilled eight multi-zoned oil and gas wells. Much of the Company's drilling activity occurred later in the quarter as we took advantage of drilling rigs moving south out of the winter-only environs of northern British Columbia. This will result in completion activities and subsequent product volumes coming on-stream later in the second quarter.

In central Alberta, the Company drilled six wells on its Halkirk property and three wells at Gilby for a success rate of 67 percent. Two of the new wells are currently producing while the remaining four discoveries await tie-in after break-up in the second quarter. Elsewhere in western Canada, the Company drilled four stratigraphic tests targeting shallow sweet gas, the results of which are currently being evaluated. This program is consistent with Progress' stated desire to establish an all-season shallow gas program within its asset portfolio.

First Quarter Drilling Results

	Gross Wells					Net Wells				
	Gas	Oil	Service	Dry	Total	Gas	Oil	Service	Dry	Total
British Columbia	5	4	1	1	11	2.9	3.3	0.7	0.7	7.6
Gilby	4	2	-	3	9	4.0	1.8	-	2.1	7.9
Shallow	2	-	-	2	4	2.0	-	-	2.0	4.0
Total	11	6	1	6	24	8.9	5.1	0.7	4.8	19.5

ACQUISITION AND DIVESTMENTS

During the quarter the Company completed various acquisitions for approximately $3.8 million in the Fort St. John area of British Columbia that consisted of undeveloped land, 3-D seismic and some minor production. These acquisitions were partially funded with the disposition of six non-core properties in Alberta amounting to $2.7 million. The exploration team has identified drilling opportunities on the acquired lands that will be initiated during the balance of 2003. This is consistent with the Company's strategy of building area dominance by buying neighbours and partners and selling non-core assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis as provided by the management of Progress Energy Ltd. ("Progress" or the "Company") should be read in conjunction with the unaudited consolidated interim financial statements for the three months ended March 31, 2003 and 2002 and the audited consolidated financial statements for the year ended December 31, 2002.

BOE PRESENTATION

For the purposes of calculating unit costs, natural gas has been converted to a barrel of oil equivalent ("BOE") using six thousand cubic feet equal to one barrel unless otherwise stated. This conversion conforms with the Canadian Securities Regulators proposed National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities. Boe's are very approximate comparative measure that, in some cases, could mislead particularly if used in isolation.

PRODUCTION

	Three Months Ended March 31	
	2003	2002
Daily Production		
Crude oil *(bbls/d)*	2,094	1,670
Natural gas liquids *(bbls/d)*	311	40
Natural gas *(mcf/d)*	26,830	8,083
Total *(boe/d)*	6,877	3,057

For the three months ended March 31, 2003, Progress increased production 125 percent to 6,877 boe per day compared to 3,057 boe per day for the same period in 2002. This increase is a result of the acquisitions during the second quarter and early in the fourth quarter of 2002 and the successful drilling and tie-in activities during the last half of 2002. Oil and liquids production for the three months ended March 31, 2003 increased 41 percent to 2,405 bbls per day from 1,710 bbls per day for the same period in 2002. Natural gas production increased 232 percent to 26,830 mcf per day during the three months ended March 31, 2003 compared to 8,083 mcf per day for the same period in 2002. This increase in natural gas production is due largely to the Campion acquisition which added approximately 8,800 mcf per day of production effective June 3, 2002 as well as the Fort St. John acquisition in October 2002 and successful drilling at Gilby, Alberta and Fort St. John, British Columbia.

As disclosed previously, natural gas sales in British Columbia were reduced by approximately 1,500 mcf per day during January and February 2003 due to a plugged sales line at Milo, British Columbia and as a result production was slightly lower than the fourth quarter production of 7,096 boe per day. While production was restored in late February problems persisted for most of March due to continued start up problems and exacerbated by cold weather. The Milo property is back on stream and producing approximately 3,000 mcf per day of natural gas.

During the first quarter the Company completed a substantial portion of its program during the month of March including the drilling of nine wells and the installation of compressors and various tie-in projects. The Company completed compressor projects at Begg and Milo in British Columbia and small booster compressor installations at Stoddart and Rigel in British Columbia. Current production capability is approximately 7,700 boe per day with an additional 350 boe per day of production awaiting tie-in and a further 550 boe per day of risked production awaiting completion. With breakup it is anticipated that these tie-ins and completion activities will occur during the latter part of the second quarter. The Company remains on track to achieve its 2003 average production target of 8,000 boe per day.

During the upcoming second quarter the Company will experience annual planned turnarounds at the Duke MacMahon processing plant that will partially curtail production during the month of May. This turnaround will impact the Company's natural gas production at Fort St. John and its Town/Begg properties in the shallow foothills. The Duke Fort Nelson planned turnaround is currently scheduled for the latter part of June and early July 2003 and will curtail production during this period. This turnaround will impact the Company's natural gas production at Milo. These plant turnarounds are standard maintenance events scheduled annually for these large regional processing facilities. The net effect as a result of these turnarounds is expected to be the loss of approximately 1,000 mcf per day of natural gas for the entire second quarter.

COMMODITY MARKETS

U.S. oil inventories continue to be near all time lows due to the Venezuelan and Nigerian strikes and the war with Iraq. OPEC has set new quotas and calls for closer compliance from members in an effort to support oil prices. Crude oil prices have subsided from the peak and OPEC seems to be positioning to bring prices to a soft landing within its desired price range. During the first quarter WTI averaged US$33.86 per barrel. The NYMEX WTI futures contract is currently trading around US$25.00-26.00 per barrel for the remainder of 2003.

During the first quarter of 2003 natural gas prices have been extremely volatile. Late winter storage withdrawals have dropped North American storage levels well below the five year average. As spring approached lack luster storage injections and low rig counts continued to fuel the supply concerns and provided price support. Strong natural gas demand for storage re-injection is forecast to support prices throughout the summer and fall of 2003. The AECO natural gas futures contract is currently trading at approximately CDN$6.50 per gj for the remainder of 2003.

COMMODITY PRICING

For the three months ended March 31, 2003, Progress realized the following commodity prices compared to the same period in 2002.

	Three Months Ended March 31	
Average Realized Progress Prices	2003	2002
Crude oil (before hedging) *($/bbl)*	45.85	25.96
Hedging *($/bbl)*	(5.45)	(1.23)
Change in fair value of financial instrument *($/bbl)*	1.98	-
Crude oil (after hedging) *($/bbl)*	42.38	24.73
Natural gas (before hedging) *($/mcf)*	7.71	3.09
Hedging *($/mcf)*	(0.01)	0.06
Amortization of commodity sales contract *($/mcf)*	0.10	-
Natural gas (after hedging) *($/mcf)*	7.80	3.15
Natural gas liquids *($/bbl)*	38.99	24.71

From time to time the Company enters into fixed prices and options on crude oil and natural gas. The commodity prices recorded above are net of the effects of commodity price hedging charges of $1.0 million ($0.2 million in 2002), the amortization of a commodity sales contract of ($0.2) million (nil for 2002) and the change in fair value of financial instrument of ($0.4) million (2002 - $0.4 million) for the three months ended March 31, 2003. The change in fair value of financial instrument relates to a written crude oil option for the first quarter of 2003 that did not qualify for hedge accounting. The option expired on March 31, 2003.

For detailed disclosure of Progress' hedging transactions refer to Note 5, Financial Instruments in the Consolidated Financial Statements.

REVENUES

For the three months ended March 31, 2003, revenues increased 358 percent to $27.9 million from $6.1 million for the same period in 2002 due to both higher production volumes and commodity prices.

ROYALTIES

For the three months ended March 31, 2003, royalties increased 537 percent to $6.4 million from $1.0 million for the same period in 2002. The Company's average royalty rate for the three months ended March 31, 2003 was 22.6 percent (after removing the effects of hedging charges) compared to 16 percent in 2002. The increase is due to higher commodity prices and production volumes.

OPERATING EXPENSES

Operating expenses increased 181 percent to $3.4 million during the three months ended March 31, 2003 compared to $1.2 million during the same period in 2002. On a boe basis, year to date operating expenses increased 25 percent to $5.42 per boe from $4.34 per boe in the same period in 2002. The increase in operating costs is due to the higher operating costs associated with the acquired properties and third party natural gas processing fees related to the additional natural gas production. Operating expenses during the fourth quarter averaged $5.18 per boe and were forecast to be higher in the first quarter of 2003. The first quarter is impacted by cold weather and snow removal costs. The Company is focused on reducing operating costs going forward and it is anticipated that more attention and higher activity in these new core areas will reduce operating costs.

GENERAL AND ADMINISTRATIVE EXPENSES

During the first quarter of 2003, net general and administrative expenses increased to $0.9 million from $0.3 million in the first quarter of 2002. The increase resulted mainly from the increase in full-time and contract staff required as a result of the increased size of the Company's operations and in addition the inclusion during the quarter of the balance of the 2002 employee bonus and costs associated with the Company's annual reporting requirements. The net general and administrative expense for the first quarter of 2003 is net of $0.8 million of recoveries and amounts capitalized compared to $0.4 million for the first quarter of 2002.

INTEREST

Interest during the first quarter of 2003 was $0.4 million compared to $0.1 million for the same period in 2002. The increase is due to higher average debt levels due to the growth of the Company over the past year.

INCOME AND CAPITAL TAXES

During the first quarter of 2003, capital taxes increased 69 percent to $0.2 million from $0.1 million during the same period in 2002 due to the increase in size of the Company. Based on the Company's forecast for 2003, Progress does not anticipate that it will pay any current income taxes during the year. The provision for future income taxes for the three months ended March 31, 2003 increased to $4.6 million from $0.3 million in same period in 2002. The effective tax rates (excluding capital taxes) for the three months ended March 31, 2003 was 40.6 percent compared to 49.5 percent during the same period in 2002.

DEPLETION AND DEPRECIATION

For the three months ended March 31, 2003, depletion and depreciation of capital assets and the provision for site restoration and abandonment increased 91 percent to $5.6 million from $2.9 million for the same period in 2002. The increase is due to a significantly higher capital base. On a boe basis depletion and depreciation and site restoration and abandonment for the three months ended March 31, 2003 decreased to $9.00 from $10.62 per boe in the same period in 2002 and from $9.36 per boe during the fourth quarter of 2002. The decrease in boe depletion charges is a result of the lower cost of reserve additions during the latter part of 2002 and during the first quarter of 2003.

NET EARNINGS AND CASH FLOW FROM OPERATIONS

Net earnings and cash from operations were at record levels during the quarter driven by high commodity prices. Net earnings increased to $6.5 million for the three months ended March 31, 2003 compared to $0.2 million during the same period in 2002. Net earnings per share for the quarter were $0.21 per share compared to $0.01 per share during the first quarter of 2002. Similarly, diluted net earnings per share for the quarter were $0.20 per share compared to $0.01 per share during the first quarter of 2002. Cash Flow from operations increased to $16.1 million for the three months ended March 31, 2003 compared to $3.3 million during the same period in 2002.

Cash flow from operations per share for the quarter were $0.52 per share compared to $0.15 per share during the first quarter of 2002. Diluted cash flow from operations per share for the quarter were $0.49 per share compared to $0.14 per share during the first quarter of 2002.

CAPITAL EXPENDITURES

During the three months ended March 31, 2003 the Company spent approximately $25.5 million in capital expenditures compared to $5.0 million in the first quarter of 2002. The Company drilled 24 gross (19.5 net) wells with a success rate of 75 percent, shot three 3-D seismic and two 2-D programs, and added over 64,000 net undeveloped acres of land in the quarter. During the quarter the Company completed various acquisitions for approximately $3.8 million in the Fort St. John area of British Columbia that consisted of undeveloped land, 3-D seismic and some minor production. These acquisitions were funded with the disposition of six non-core properties in Alberta amounting to $2.7 million.

	Three Months Ended March 31	
($ thousands)	2003	2002
Land acquisitions and retention	2,994	424
Geological and geophysical	3,178	475
Drilling and completions	12,753	2,371
Equipping and facilities	5,346	1,506
Net property acquisitions (dispositions)	1,090	74
Other	115	137
Total capital expenditures	25,476	4,987

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2003 the Company had outstanding on its credit facility approximately $41.7 million, a working capital deficiency of $14.7 million, totaling $56.4 million of total net debt. The Company has a credit facility of $75 million at March 31, 2003.

($ thousands)	March 31, 2003	December 31, 2002
Net debt		
Working capital deficiency	14,659	3,933
Bank debt	41,659	43,386
	56,318	47,319

The Company's investing activities which consisted primarily of expenditures on the capital program for 2003 has been funded primarily with cash flow and additional net debt. The issuance of equity during the period was from the exercise of options.

	Three Months Ended March 31	
($ thousands)	2003	2002
Investment Program Funding		
Cash flow from operations	16,080	3,349
Changes in non-cash working capital	8,153	3,350
Decrease in bank debt	(1,727)	(2,243)
Issue of shares (net of share issue costs)	59	531
Cash position, beginning of period	2,946	-
	25,511	4,987

OUTLOOK

The Company's first quarter exploration and development results has resulted in replacement of more than its forecasted 2003 production and with finding and development costs in its targeted range of approximately $8.00 per proven boe. The Company currently has an established inventory of drill ready opportunities that meets with the stated pace of exploratory and development operations for the balance of 2003. After integration of the knowledge resulting from the successful drilling, completions and seismic programs conducted in the first quarter, the Company continues to increase its drill-ready inventory.

The company has increased its 2003 capital spending program to $65 million from $50 million and will drill an additional 35 to 40 wells in its traditional core areas during the balance of the year and in addition fund its emerging shallow gas initiatives.

The oil and gas sector of the capital markets continues to evolve with more companies electing to convert themselves to royalty trusts. This bodes well for Progress as the competition for exploration lands and opportunities continues to decline. Progress is the right size to execute its exploration and development growth strategy taking advantage of the smaller yet profitable exploration targets that are more prevalent today in the Western Sedimentary Basin. Progress will continue to work its core areas, building area dominance and adding value through its exploration initiatives.

On behalf of the Board of Directors,

(Signed) "David D. Johnson"

David D. Johnson
President & Chief Executive Officer
May 8, 2003

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

PROGRESS ENERGY LTD
CONSOLIDATED BALANCE SHEETS

($ thousands)	March 31, 2003	December 31, 2002
	(Unaudited)	*(Audited)*
ASSETS		
Current		
Cash and short-term investments	-	2,946
Accounts receivable	17,171	13,519
Prepaid expenses and deposits	2,496	2,833
	19,667	19,298
Property, plant and equipment	178,986	158,665
Goodwill	9,000	9,000
	207,653	186,963
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	34,326	23,231
	34,326	23,231
Bank debt *(Note 2)*	41,659	43,386
Commodity sales contract *(Note 5)*	3,463	3,694
Site restoration and abandonment	2,957	2,574
Future income taxes	29,114	24,525
	111,519	97,410
SHAREHOLDERS' EQUITY		
Share capital *(Note 3)*	74,812	74,753
Retained earnings	21,322	14,800
	96,134	89,553
	207,653	186,963

See accompanying notes to the consolidated financial statements

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

($ thousands, except per share amounts)	Three Months Ended March 31 2003	2002
REVENUES		
Petroleum and natural gas	27,915	6,099
Royalties (net of Alberta Royalty Tax Credit)	(6,408)	(1,006)
	21,507	5,093
EXPENSES		
Operating	3,355	1,194
General and administrative	861	302
Interest	418	136
Depletion and depreciation	5,573	2,922
	10,207	4,554
Earnings before taxes	11,300	539
TAXES		
Capital taxes	189	112
Future income taxes	4,589	267
	4,778	379
NET EARNINGS	6,522	160
Retained earnings, beginning of period	14,800	11,356
Retained earnings, end of period	21,322	11,516
NET EARNINGS PER SHARE *(Note 3)*		
Basic	0.21	0.01
Diluted	0.20	0.01

See accompanying notes to the consolidated financial statements

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

($ thousands, except per share amounts)	Three Months Ended March 31 2003	2002
Cash provided by (used in)		
Operations		
Net earnings	6,522	160
Depletion and depreciation	5,573	2,922
Amortization of commodity sales contract	(231)	-
Change in fair value of financial instrument	(373)	-
Future income taxes	4,589	267
Cash flow from operations	16,080	3,349
Changes in non-cash working capital *(Note 4)*	606	(1,120)
	16,686	2,229
Financing		
Increase (decrease) in bank debt	(1,727)	(2,243)
Issue of shares	59	542
Share issue costs	-	(11)
	(1,668)	(1,712)
Investing		
Capital asset additions	(25,476)	(4,987)
Site restoration and abandonment expenditures	(35)	-
Change in non-cash working capital *(Note 4)*	7,547	4,470
	(17,964)	(517)
Increase (decrease) in cash and short-term investments	(2,946)	-
Cash and short-term investments, beginning of period	2,946	-
Cash and short-term investments, end of period	-	-
Cash flow from operations per share *(Note 3)*		
Basic	0.52	0.15
Diluted	0.49	0.14

See accompanying notes to the consolidated financial statements

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

1. ACCOUNTING POLICIES

The interim consolidated financial statements of Progress Energy Ltd. (the "Company") have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended December 31, 2002. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's annual report for the year ended December 31, 2002.

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

2. BANK DEBT

($ thousands)	March 31, 2003	December 31, 2002
Direct advances	2,279	-
Banker's acceptances	39,380	43,386
Total bank debt	41,659	43,386

The Company has a revolving term credit facility available up to $75 million with a Canadian bank. The facility is available on a revolving basis for a period of 364 days until May 31, 2004. On May 31, 2004, at the Company's discretion, the facility is available on a non-revolving basis for a one year term until May 31, 2005, at which time the facility would be due and payable. Alternatively the facility may be extended for a further 364 day period at the request of the Company and subject to approval by the bank. The credit facility is secured by a $150 million fixed and floating charge debenture on the assets of the Company. The $75 million borrowing base is subject to a semi-annual and annual review by the bank.

3. SHARE CAPITAL

	Three months ended March 31			
	2003		2002	
($ thousands – except share amounts)	Number	Amount	Number	Amount
Common Shares				
Balance at beginning of period	30,911,781	74,477	22,087,398	29,332
Issued on exercise of stock options	25,063	59	497,500	542
Share issue expense		-		(6)
Balance at March 31	30,936,844	74,536	22,584,898	29,868
Warrants				
Balance at March 31	1,253,498	276	1,253,498	276
Total share capital		74,812		30,144

As at May 7, 2002 the issued and outstanding common shares of the Company were 30,964,010, options outstanding were 2,846,521 and warrants outstanding of 1,253,498.

Earnings and cash flow per share

The following table summarizes the common shares used in calculating net earnings and cash flow per common share.

	Three Months Ended March 31	
Weighted Average Common Shares	2003	2002
Basic	30,922,445	22,505,106
Diluted	33,141,912	23,974,072

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

Stock options

The following table sets forth a reconciliation of the stock option plan activity through to March 31, 2003.

($ except share amounts)	Number of options	Weighted average exercise price
Balance, December 31, 2002	2,818,750	4.21
Granted	80,000	7.95
Cancelled	-	-
Exercised	(25,063)	2.37
Balance, March 31, 2003	2,873,687	4.33

The Company accounts for its stock based compensation plan using the intrinsic-value method. Under this method, no costs are recognized in the financial statements for share options granted to employees or directors when the options are issued at market value. Canadian generally accepted accounting principles require disclosure of the impact on net earnings had the fair value method been used for stock options issued on or after January 1, 2002. If the fair value method had been used, the Company's net earnings and net earnings per share for the three months ended March 31, 2003 and 2002 would approximate the following pro forma amounts:

	Three Months Ended March 31	
	2003	2002
Net Earnings:		
As reported	6,522	160
Pro forma	6,278	153
Net Earnings per Share:		
Basic		
As reported	0.21	0.01
Pro forma	0.20	0.01
Diluted		
As reported	0.20	0.01
Pro forma	0.19	0.01

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

	Three Months Ended March 31	
Assumptions	2003	2002
Risk free interest rate (%)	4.08	4.83
Expected life (years)	4.00	4.00
Expected volatility (%)	33	24
Results		
Weighted average fair value of options granted ($)	2.56	1.41

4. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

	Three Months Ended March 31	
($ thousands)	2003	2002
Accounts receivable	(3,652)	(4,131)
Prepaid expenses and deposits	337	(60)
Accounts payables	11,468	7,541
Change in non-cash working capital	8,153	3,350
Relating to:		
Investing activities	7,547	4,470
Operating activities	606	(1,120)

Cash interest and taxes paid

	Three Months Ended March 31	
($ thousands)	2003	2002
Cash interest paid	484	121
Cash income and other taxes paid	56	139

5. FINANCIAL INSTRUMENTS

Commodity Price Contracts

The Company has entered into several derivative financial instruments for both crude oil and natural gas for the purpose of protecting its future earnings and cash flow from operations from the volatility of crude oil and natural gas commodity prices. For the three months ended March 31, 2003, the Company's crude oil and natural gas price risk management program had a net cost of $0.4 million (2002 - $0.2 million).

Contracts outstanding in respect to financial instruments are as follows:

Contract	Volume	Pricing Point	Strike Price	Cost/ Premium	Term
Crude Oil					
Put option	800 bbls/d	WTI	US$21.00	US$1.26/bbl	Apr 01/03 – Jun 30/03
Put option	800 bbls/d	WTI	US$21.00	US$1.05/bbl	Jul 01/03 – Sep 30/03
Natural Gas					
Put option	3,000 mmbtu/d	SUMAS	US$3.30	US$0.215/mmbtu	Apr 01/03 – Oct 31/03
Put option	5,000 gj/d	AECO	CDN$4.00	CDN$0.265/gj	Apr 01/03 – Oct 31/03
Costless collar (1)	5,000 gj/d	AECO	CDN$4.00 – CDN$6.62	n/a	Apr 01/03 – Oct 31/03
Costless collar (1)	5,000 gj/d	AECO	CDN$4.90 – CDN$8.00	n/a	Apr 01/03 – Jun 30/03
Costless collar (1)	2,000 gj/d	AECO	CDN$5.00 – CDN$8.00	n/a	Jul 01/03 – Oct 31/03

(1) Costless collar strike price indicates minimum floor and maximum ceiling

At March 31, 2003 the estimated fair values of the above financial instruments were as follows:

($ thousands)	Receivable (Payable)
Crude oil options	-
Natural gas options	(233)

The above estimated fair values as at March 31, 2003 represent the amounts the Company would receive or pay to terminate the contracts at March 31, 2003. These instruments have no carrying values recorded in the financial statements.

Commodity Sales Contract

The following physical gas sales contract was outstanding at March 31, 2003. This contract was acquired in conjunction with the acquisition of Campion Resources Ltd. on June 3, 2002, at which time the fair value of the contracts was a liability of $4.1 million. This value was recorded as a liability on June 3, 2002, and is being amortized over the life of the contract. At March 31, 2003 the remaining liability was $3.5 million.

Volume	Pricing Point	Progress Price	Term
1,000 gj/d	AECO	$1.91/gj in 2002 escalating at 2.5% annually	Jun 1/97 – Oct 31/08

SELECTED QUARTERLY INFORMATION

FINANCIAL HIGHLIGHTS

	Three Months Ended 2002				2003
($ thousands except per share amounts)	March 31	June 30	Sept. 30	Dec 31	March 31
Income Statement					
Petroleum and natural gas sales	6,099	7,905	10,171	21,645	27,915
Cash flow from operations	3,349	4,064	4,609	11,999	16,080
Per share - basic	0.15	0.17	0.17	0.39	0.52
Per share - diluted	0.14	0.16	0.17	0.37	0.49
Net earnings	160	357	152	2,775	6,522
Per share - basic	0.01	0.02	0.01	0.09	0.21
Per share - diluted	0.01	0.01	0.01	0.08	0.20
Balance Sheet					
Capital Spending					
Land acquisitions and retention	424	1,218	1,201	2,628	2,994
Geological and geophysical	475	287	596	1,050	3,178
Drilling and completions	2,371	2,018	5,676	5,467	12,753
Equipping and facilities	1,506	935	1,803	2,072	5,346
Net property acquisitions (dispositions)	74	64	2,131	27,577	1,090
Acquisition of Campion Resources Ltd.	-	40,791	-	-	-
Corporate assets	137	325	62	112	115
	4,987	45,638	11,469	38,906	25,476
Total debt					
Bank debt	15,733	40,640	40,238	43,386	41,659
Working capital deficiency (surplus)	2,789	(3,660)	3,502	3,933	14,659
	18,522	36,980	43,740	47,319	56,318
Shareholders' equity	41,660	62,044	62,439	89,553	96,134

Common Share Information *(thousands except where otherwise stated)*

Shares outstanding at end of period					
- Common	22,585	26,315	26,430	30,912	30,937
Weighted average shares outstanding for the period					
- Basic	22,505	23,728	26,336	30,909	30,922
- Diluted	23,974	25,290	27,811	32,717	33,142
Volume traded during quarter	6,092	2,680	2,856	2,878	7,089
Common share price ($)					
- High	6.15	6.50	6.10	8.30	9.20
- Low	3.86	5.00	4.65	5.10	7.40
- Closing	5.90	5.25	5.95	8.00	8.10

SELECTED QUARTERLY INFORMATION

OPERATIONAL HIGHLIGHTS

	Three Months Ended 2002				2003
	March 31	June 30	Sept. 30	Dec 31	March 31
Production					
Natural gas *(mcf/d)*	8,083	11,300	17,488	28,205	26,830
Crude oil *(bbl/d)*	1,670	1,591	1,623	2,055	2,094
Natural gas liquids *(bbl/d)*	40	79	221	340	311
Total *(boe/d) (6:1)*	3,057	3,553	4,759	7,096	6,877
Total *(boe/d) (10:1)*	2,518	2,800	3,592	5,216	5,088
Pricing					
Natural gas (before hedging) *($/mcf)*	3.09	3.22	2.85	5.33	7.71
Hedging *($/mcf)*	0.06	-	(0.11)	(0.01)	(0.01)
Amortization of commodity sales contract *($/mcf)*	-	0.16	0.36	0.09	0.10
Natural Gas (after hedging) ($/mcf)	3.15	3.38	3.10	5.41	7.80
Crude oil (before hedging) *($/bbl)*	25.96	34.11	37.55	36.54	45.85
Hedging *($/bbl)*	(1.23)	(5.10)	(7.13)	(0.01)	(5.45)
Change in fair value of financial instrument *($/bbl)*	-	-	-	(1.97)	1.98
Crude oil (after hedging) *($/bbl)*	24.73	29.01	30.42	34.56	42.38
Natural gas liquids *($/bbl)*	24.71	31.30	31.14	33.78	38.99
Selected Highlights *($/boe)*					
Weighted average sales price	22.17	24.45	23.24	33.16	45.10
Royalties, net of ARTC	3.66	3.11	4.79	7.53	10.35
Production expenses	4.34	4.85	4.80	5.18	5.42
Netbacks	14.17	16.49	13.65	20.67	29.33
General and administrative	1.10	2.12	1.39	1.79	1.39
Depletion and depreciation	10.62	10.49	10.07	9.36	9.00
Net earnings	0.58	1.10	0.35	4.25	10.54
Gross Drilling Results					
Natural gas	2	2	6	6	11
Crude oil	-	-	1	-	6
Service	-	-	-	-	1
Dry	-	1	2	1	6
	2	3	9	7	24
Success rate (%)	100	67	78	86	75
Net Drilling Results					
Natural gas	0.4	2	4.8	5.2	8.9
Crude oil	-	-	0.4	-	5.1
Service	-	-	-	-	0.7
Dry	-	1	1.4	0.5	4.8
	0.4	3	6.6	5.7	19.5
Success Rate (%)	100	67	79	91	75

CORPORATE INFORMATION

DIRECTORS

John M. Stewart [1]
Chairman
Progress Energy Ltd.
Vice Chairman
ARC Financial Corporation
Calgary, Alberta

David D. Johnson
President & Chief Executive Officer
Progress Energy Ltd.
Calgary, Alberta

John A. Brussa [1]
Partner
Burnet, Duckworth and Palmer LLP
Calgary, Alberta

Frederic C. Coles [3]
Independent Businessman
Calgary, Alberta

Gary E. Perron [1][2]
Vice President and
Managing Director
BMO Nesbitt Burns
Calgary, Alberta

Terrance D. Svarich [2] [3]
President
Devsun Limited
Calgary, Alberta

[1] Member of Audit Committee
[2] Member of Compensation Committee
[3] Member of Reserve Committee

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

OFFICERS

David D. Johnson
President and
Chief Executive Officer

Steven A. Allaire
Vice President Finance and
Chief Financial Officer and
Corporate Secretary

Michael R. Culbert
Vice President Marketing and
Business Development

Edward J. Kalthoff
Vice President Land

William J. Lewington
Controller

Neil H. Samis
Vice President Production

Daniel C. Topolinsky
Vice President Exploration

CORPORATE OFFICE

1400, 440 – 2nd Avenue S.W.
Calgary, Alberta
T2P 5E9
Telephone: (403) 216-2510
Facsimile: (403) 216-2514
Website: www.progressenergy.com

BANKER

Bank of Montreal
Corporate Banking
Canada Trust Tower
1400, 421 – 7th Avenue S.W.
Calgary, Alberta
T2P 2P2

SOLICITOR

Burnet, Duckworth & Palmer LLP
1400, 350 – 7th Avenue S.W.
Calgary, Alberta
T2P 3N9

AUDITOR

KPMG LLP
1200, 205 – 5th Avenue S.W.
Calgary, Alberta
T2P 4B9

CONSULTING ENGINEERS

Gilbert Laustsen Jung
Associates Ltd.
4100, 400 – 3rd Avenue S.W.
Calgary, Alberta
T2P 4H2