



PROGRESS REPORTS Q3 RESULTS – RECORD ACTIVITY LEVELS YIELD STRONG RESULTS

HIGHLIGHTS	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Financial	<i>(\$ thousands, except per share amounts)</i>			
Gross revenue	23,093	10,171	73,826	24,175
Cash flow from operations	12,431	4,609	41,016	12,022
Basic per share	0.40	0.17	1.32	0.50
Diluted per share	0.37	0.17	1.23	0.47
Net earnings	3,761	152	17,177	669
Basic per share	0.12	0.01	0.55	0.03
Diluted per share	0.11	0.01	0.51	0.03
Capital expenditures	24,768	11,469	65,436	21,304
Campion acquisition	-	-	-	20,518
Net debt	70,167	43,740	70,167	43,740
Operations	Production			
Crude oil (bbls/d)	2,358	1,623	2,238	1,628
Natural gas liquids (bbls/d)	289	221	295	114
Natural gas (mcf/d)	28,736	17,488	27,487	12,325
Total production (boe/d @ 6:1)	7,436	4,759	7,114	3,796
Average sales price (after hedging)				
Crude oil (\$/bbl)	35.39	30.42	37.04	28.04
Natural gas liquids (\$/bbl)	32.10	31.14	33.13	30.43
Natural gas (\$/mcf)	5.51	3.10	6.47	3.20
Netback per boe (6:1) (\$)				
Petroleum and natural gas sales	33.75	23.24	38.01	23.32
Royalties	7.19	4.79	8.51	3.96
Operating expenses	5.92	4.80	5.61	4.69
Operating netback	20.64	13.65	23.89	14.67

ACCOMPLISHMENTS

- Drilled 28 wells with an average working interest of 85 percent delivering an 82 percent success rate.
- Tied-in sixteen wells for production, including Rigel, Two Rivers, Unity, Town and Beg.
- Averaged 8,200 boepd during September and reached approximately 9,000 boepd by late October.
- Generated additional funds for investment subsequent to the third quarter through the disposition of non core assets for proceeds of approximately \$4.6 million, as well as the issuance of two million common shares for net proceeds of approximately \$19.9 million, expected to close November 5, 2003.
- Increased the capital budget for 2003 to \$80 million from \$65 million.

Progress is listed on the Toronto Stock Exchange, symbol PGX

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SHAREHOLDER UPDATE

EXPLORATION

With a positive reversal of weather conditions relative to the second quarter, Progress successfully executed over 90 percent of the planned second half 2003 drilling program in Q3. Twenty eight wells (average working interest of 85 percent) were drilled, the majority targeting natural gas with a modest program developing our light oil opportunities. The drilling program, largely skewed to exploration drills, resulted in 19 gas wells, four oil wells and five abandonments. Significant new discoveries and pool extensions in the Halfway formation in the shallow foothills in northeastern British Columbia and Fort St. John plains areas were a direct result of first quarter 3-D seismic programs coupled with the Company's increasing understanding of the Triassic subsurface. In addition, Progress commenced a step-out drilling program at Unity including the drilling of ten wells straddling the quarter with production scheduled for the fourth quarter. The overall success of the third quarter program has given Progress the confidence to expand the drilling and land portfolios in our existing project areas where we seek to capitalize on similar geological opportunities.

Third Quarter Drilling Results

	Gross Wells					Net Wells				
	Gas	Oil	Service	Dry	Total	Gas	Oil	Service	Dry	Total
British Columbia	8	4	-	3	15	5.6	4.0	-	1.1	10.7
Alberta	2	-	-	1	3	2.0	-	-	1.0	3.0
Saskatchewan	9	-	-	1	10	9.0	-	-	1.0	10.0
Total	19	4	-	5	28	16.6	4.0	-	3.1	23.7

2003 Year to Date Drilling Results

	Gross Wells					Net Wells				
	Gas	Oil	Service	Dry	Total	Gas	Oil	Service	Dry	Total
British Columbia	15	8	1	4	28	10.5	7.3	0.7	1.8	20.3
Alberta	8	3	-	5	16	8.0	2.7	-	4.1	14.8
Saskatchewan	12	-	-	3	15	12.0	-	-	3.0	15.0
Total	35	11	1	12	59	30.5	10.0	0.7	8.9	50.1

For the balance of the year drilling and seismic activities will be predominantly focused on the major core areas of Fort St. John, the shallow British Columbia foothills and the new shallow gas programs.

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 and nine months ended September 30, 2003 and 2002 and the audited consolidated financial statements for the year ended December 31, 2002.

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

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

PRODUCTION

For the three months ended September 30, 2003, Progress increased production 56 percent to 7,436 boe per day compared to 4,759 boe per day for the same period in 2002. For the nine months ended September 30, 2003 production increased 87 percent to 7,114 boe per day compared to 3,796 boe per day for the same period in 2002.

	Three Months Ended		Nine Months Ended	
	2003	September 30 2002	2003	September 30 2002
Daily Production				
Crude oil (<i>bbls/d</i>)	2,358	1,623	2,238	1,628
Natural gas liquids (<i>bbls/d</i>)	289	221	295	114
Natural gas (<i>mcf/d</i>)	28,736	17,488	27,487	12,325
Total (<i>boe/d</i>)	7,436	4,759	7,114	3,796

Crude oil production for the three months ended September 30, 2003 increased 45 percent to 2,358 bbls per day from 1,623 bbls per day for the same period in 2002. For the nine months ended September 30, 2003 crude oil production increased 37 percent to 2,238 barrels per day compared to 1,628 in the same period in 2002. This increase is largely due to the successful development program at Two Rivers, British Columbia.

Natural gas liquids production for the three months ended September 30, 2003 increased 31 percent to 289 bbls per day from 221 bbls per day for the same period in 2002. For the nine months ended September 30, 2003 natural gas liquids production increased 159 percent to 295 barrels per day compared to 114 in the same period in 2002.

Natural gas production increased 64 percent to 28,736 mcf per day during the three months ended September 30, 2003 compared to 17,488 mcf per day for the same period in 2002. For the nine months ended September 30, 2003 natural gas production increased 123 percent to 27,487 mcf per day compared to 12,325 mcf per day in the same period in 2002. This increase in natural gas production is due in part to the Campion acquisition in June 2002, the acquisition of the Fort St. John assets in September 2002 and successful exploration and development results at Gilby in Alberta during late 2002 and at Beg/Town and Rigel in British Columbia and Unity in Saskatchewan in 2003.

Third quarter production was negatively impacted by the last planned summer plant maintenance turnarounds in British Columbia during both July and August but was more materially influenced by well tie-ins and facility construction associated with new production from wells drilled during prior quarters coming on-stream in August. Production continued to build through September and October as a result of summer drilling successes and reached approximately 9,000 boepd by late October.

COMMODITY MARKETS

North American natural gas injections into storage rose dramatically during the quarter bringing what looked to be a significant shortfall in storage levels at the end of second quarter back to the five year average. This resulted in natural gas prices at the Alberta pricing point of AECO/NIT where the majority of Progress gas is

priced decreasing by approximately 10% over the quarter. Over the winter period, November through March the AECO/NIT and NYMEX futures markets prices remain strong at \$5.50/GJ and US\$5.00/MMBtu respectively.

World crude oil prices continue to be volatile with political risk priced into the near term WTI oil price. OPEC has reaffirmed its position of strength in the market by initiating a surprise reduction in quotas at its September meeting. Effective November 1st, OPEC agreed to cut quotas by 900,000 bbl/d to 24.5 MMbbl/d. WTI prices have leveled off in the US\$29.00/bbl to US\$30.00/bbl range as a result. Crude oil stocks in the United States are now beginning to build causing some downward pressure on WTI future prices in the outer months.

COMMODITY PRICING

For the three and nine months ended September 30, 2003, Progress realized the following commodity prices compared to the same period in 2002.

Progress Average Realized Prices	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Crude oil (before hedging) (\$/bbl)	35.94	37.55	38.55	32.50
Hedging settlements (\$/bbl)	-	(7.13)	(1.93)	(4.36)
Amortization of hedge premiums (\$/bbl)	(0.55)	-	(0.18)	(0.10)
Change in fair value of financial instrument (\$/bbl)	-	-	0.60	-
Crude oil (after hedging) (\$/bbl)	35.39	30.42	37.04	28.04
Natural gas (before hedging) (\$/mcf)	5.47	2.85	6.41	3.07
Hedging settlements (\$/mcf)	0.04	0.15	0.06	0.07
Amortization of hedge premiums (\$/mcf)	(0.08)	-	(0.08)	-
Amortization of commodity sales contract (\$/mcf)	0.08	0.10	0.08	0.06
Natural gas (after hedging) (\$/mcf)	5.51	3.10	6.47	3.20
Natural gas liquids (\$/bbl)	32.10	31.14	33.13	30.43

The commodity prices recorded above for the three months ended September 30, 2003 were reduced for the effects of commodity price hedging charges of \$0.2 million (\$0.9 million in 2002) and increased due to the amortization of a commodity sales contract of \$0.2 million (\$0.2 million in 2002). For the nine months ended September 30, 2003, commodity price hedging charges were \$1.1 million (\$1.8 million in 2002) and the amortization of a commodity sales contract was \$0.6 million (\$0.2 million in 2002).

For detailed disclosure of Progress' hedging transactions refer to Note 6, Financial Instruments in the Consolidated Financial Statements.

REVENUES

For the three months ended September 30, 2003, revenues increased 127 percent to \$23.1 million from \$10.2 million for the same period in 2002 due largely to higher production volumes. During the nine months ended September 30, 2003, revenues increased 205 percent to \$73.8 million from \$24.2 million for the same period in 2002. This increase resulted from the higher production and commodity prices received during the period. During the three months ended September 30, 2003 crude oil prices increased 16 percent to \$35.39 per bbl (after the effects of hedging charges) from \$30.42 per bbl compared to the same period in 2002, natural gas liquids prices increased three percent to \$32.10 per bbl from \$31.14 per bbl compared to the same period in 2002, while natural gas prices increased 78 percent to \$5.51 per mcf from \$3.10 per mcf. For the nine months ended September 30, 2003 crude oil prices increased 32 percent to \$37.04 per bbl (after the effects of hedging charges) from \$28.04 per bbl compared to the same period in 2002, natural gas liquids prices increased nine

percent to \$33.13 per bbl (after the effects of hedging charges) from \$30.43 per bbl compared to the same period in 2002, while natural gas prices increased 102 percent to \$6.47 per mcf from \$3.20 per mcf.

ROYALTIES

For the three months ended September 30, 2003, royalties increased 135 percent to \$4.9 million from \$2.1 million for the same period in 2002. For the nine months ended September 30, 2003, royalties increased 302 percent to \$16.5 million from \$4.1 million for the same period in 2002. The increase is due to higher commodity prices and a \$0.5 million crown reimbursement recorded in 2002. After removing the effects of hedging charges, the Company's average royalty rate for the three months ended September 30, 2003 was 21.3 percent compared to 19.3 percent in 2002 and for the nine months ended September 30, 2003 was 22.2 percent compared to 17.9 percent in 2002 (after removing the effects of hedging and the crown reimbursement).

OPERATING EXPENSES

Operating expenses increased 93 percent to \$4.1 million during the three months ended September 30, 2003 compared to \$2.1 million during the same period in 2002. For the nine months ended September 30, 2003 operating expenses increased 124 percent to \$10.9 million compared to \$4.9 million during the same period in 2002. On a boe basis, the third quarter operating costs increased 23 percent to \$5.92 per boe from \$4.80 per boe for the same period in 2002, while year to date operating expenses increased 20 percent to \$5.61 per boe from \$4.69 per boe.

Operating costs during the quarter were influenced by facility turnarounds during July and August. Operating costs are currently forecasted to be in the \$5.00 to \$5.50 per boe range going forward.

GENERAL AND ADMINISTRATIVE EXPENSES

During the third quarter of 2003, net general and administrative expenses increased to \$0.7 million from \$0.6 million during the same period in 2002. For the nine months ended September 30, 2003, net general and administrative expenses increased to \$2.2 million from \$1.6 million. 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. On a boe basis, the third quarter net general and administrative expenses decreased 26 percent to \$1.03 per boe from \$1.39 per boe, while year to date net general and administrative expenses decreased 25 percent to \$1.15 per boe from \$1.54 per boe.

INTEREST

Financing charges for the three months ended September 30, 2003 increased to \$0.6 million compared to \$0.4 million during the same period in 2002. For the nine months ended September 30, 2003 financing charges increased to \$1.6 million compared to \$0.9 million during the same period in 2002. This increase is a result of higher average debt during the period compared to 2002 somewhat offset by lower average interest rates.

INCOME AND CAPITAL TAXES

During the third quarter of 2003, capital taxes were \$0.2 million which is comparable to the same period in 2002 and for the nine months ended September 30, 2003 increased to \$0.6 million from \$0.4 million in 2002. This increase in capital taxes is due to the increase in size of the Company.

The provision for future income taxes for the three months ended September 30, 2003 increased to \$2.7 million compared to \$0.2 million in same period in 2002. For the nine months ended September 30, 2003 the provision for future taxes was \$7.2 million compared to \$0.8 million in 2002. Included in the nine months ended September 30, 2003 provision is a benefit of \$3.3 million related to substantively enacted changes to the federal income tax rate and deductions for resource income. The changes will reduce the rate on resource income by seven percent, provide for the deduction of crown royalties and eliminate the resource allowance and will be phased in over a five year period. In addition, a benefit of \$0.2 million was recorded related to a 0.5 percent reduction to the Alberta income tax rate. The effective tax rate (excluding capital taxes) for the three months ended September 30, 2003 was 41 percent and 29 percent for the nine months ended September 30, 2003, this compares to 40 percent and 43 percent during the corresponding periods in 2002.

Based on the Company's forecast for 2003, Progress does not anticipate that it will pay any current income taxes during the year.

DEPLETION AND DEPRECIATION

For the three months ended September 30, 2003 depletion and depreciation, which includes the provision for site restoration and abandonment increased 40 percent to \$6.2 million from \$4.4 million for the same period in 2002. For the nine months ended September 30, 2003, depletion and depreciation increased 65 percent to \$17.6 million from \$10.7 million for the same period in 2002. The increase for both the three and nine month periods is largely due the increase in property, plant and equipment to be depleted. On a boe basis, depletion and depreciation for the three months ended September 30, 2003 decreased to \$9.00 from \$10.07 in 2002 and to \$9.08 from \$10.34 for the nine months ended September 30, 2003. The decrease in boe depletion charges is a result of lower cost of reserve additions during the latter part of 2002 and year-to-date during 2003.

NET EARNINGS AND CASH FLOW FROM OPERATIONS

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Net Earnings	3,761	152	17,177	669
Basic per share	0.12	0.01	0.55	0.03
Diluted per share	0.11	0.01	0.51	0.03
Cash flow from operations	12,431	4,609	41,016	12,022
Basic per share	0.40	0.17	1.32	0.50
Diluted per share	0.37	0.17	1.23	0.47

CAPITAL EXPENDITURES

During the nine months ended September 30, 2003 the Company spent approximately \$65.4 million in capital expenditures.

(\$ Thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Land acquisitions and retention	962	1,201	7,840	2,843
Geological and geophysical	1,046	596	5,089	1,358
Drilling and completions	14,420	5,676	33,759	10,065
Equipping and facilities	8,007	1,803	16,222	4,244
Net property acquisitions (dispositions)	266	2,131	2,282	2,270
Other	67	62	244	524
Total capital expenditures (before Campion)	24,768	11,469	65,436	21,304

The British Columbia government recently announced incentive programs to promote all season oil and gas activities in the province. Of particular importance to Progress is the summer drilling incentive which is effective for wells drilled between July 1 and November 30 of each year from July 2003 until November 2005. The incentive amount is the lesser of \$100,000 or 10 percent of the drilling and completion costs of each well.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2003 the Company had outstanding on its credit facility approximately \$53.6 million, a working capital deficiency of \$16.6 million, totaling \$70.2 million of total net debt. The Company had a credit facility of \$85 million at September 30, 2003. The facility consists of an \$80 million revolving term credit facility as well as a \$5 million operating facility with a group of Canadian banks.

	September 30, 2003	December 31, 2002
Net debt (\$ Thousands)		
Working capital deficiency	16,543	3,933
Bank debt	53,624	43,386
	70,167	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 employee stock options.

<i>(\$ thousands)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Investment Program Funding				
Cash flow from operations	12,431	4,609	41,016	12,022
Changes in non-cash operating working capital	(767)	5,023	(753)	3,223
Bank debt	1,018	(402)	10,237	8,982
Issue of shares (net of share issue costs)	32	229	1,351	802
Cash position, beginning of period	-	-	2,946	-
	12,714	9,459	54,797	25,029

On October 16, 2003 the Company entered into a bought deal financing whereby the Company will issue 2,000,000 common shares at a price of \$10.50 per share for gross proceeds of \$21 million. The proceeds, net of underwriting fees and expenses will amount to approximately \$19.9 million. Proceeds from this offering will be used to fund the Company's ongoing exploration and development activities in its core areas, and for general corporate purposes. The financing is expected to close on November 5, 2003.

On October 22, 2003 the Company disposed of all its properties in the province of Manitoba for approximately \$4.6 million. The production associated with these properties was approximately 150 barrels of oil per day. This disposition is consistent with the Company's strategy of continually improving the quality of its assets by selling non-core properties.

OUTLOOK

The third quarter saw the tie-in of several wells drilled earlier in the year as well as the Company's most active drilling program to date. New well tie-ins and facility construction in Fort St. John, the British Columbia foothills and Unity, Saskatchewan resulted in a rapid production build from that of the prior quarter. Production averaged approximately 8,200 barrels of oil equivalent during September and reached approximately 9,000 barrels of oil equivalent by the writing of this shareholder's report.

The momentum established as a result of the exploration and development program has encouraged Progress to increase capital expenditures by \$15 million to \$80 million for 2003. This incremental spending combined

with an anticipated record Q1 2004 exploration program will be funded by cash flow, the \$4.6 million proceeds of a non-core asset sale which closed October 22, 2003 and the \$19.9 million net proceeds of the equity financing announced October 16, 2003.

Progress is positioned to fund the winter program even in a weaker commodity environment than exists today and in doing so, continue to grow the Company by taking advantage of the opportunities that have been created.

The strategy of building a dominant position in select operating areas will continue. Progress has refrained from participating in the acquisition market this year due to aggressive prices paid by industry and has alternatively focused on the enhancement and growth of the properties purchased and discovered during 2002. Industry farm-outs and Crown land sales in the core operating areas have provided increased inventory for future exploration activities. The grass roots nature of the program is believed to be a very appropriate strategy to generate consistent and efficient growth at this point in the cycle.

On behalf of the Board of Directors,

(Signed) "David D. Johnson"

David D. Johnson
President & Chief Executive Officer
October 30, 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

<i>(\$ Thousands)</i>	September 30, 2003	December 31, 2002
	(Unaudited)	(Audited)
ASSETS		
Current		
Cash and short-term investments	-	2,946
Accounts receivable	13,508	13,519
Prepaid expenses and deposits	2,475	2,833
	15,983	19,298
Property, plant and equipment	207,650	158,665
Goodwill	9,000	9,000
	232,633	186,963
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	32,526	23,231
Bank debt <i>(Note 2)</i>	53,624	43,386
Commodity sales contracts <i>(Note 6)</i>	3,061	3,694
Site restoration and abandonment	3,607	2,574
Future income taxes <i>(Note 4)</i>	31,734	24,525
	124,552	97,410
SHAREHOLDERS' EQUITY		
Share capital <i>(Note 3)</i>	76,104	74,753
Retained earnings	31,977	14,800
	108,081	89,553
Subsequent event <i>(Note 7)</i>		
	232,633	186,963

See accompanying notes to the consolidated financial statements

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
<i>(\$ Thousands, except per share amounts)</i>				
REVENUES				
Petroleum and natural gas	23,093	10,171	73,826	24,175
Royalties (net of Alberta Royalty Tax Credit)	(4,918)	(2,096)	(16,534)	(4,108)
	18,175	8,075	57,292	20,067
EXPENSES				
Operating	4,053	2,100	10,896	4,862
General and administrative	706	609	2,242	1,597
Financing charges	583	438	1,554	941
Depletion and depreciation	6,159	4,408	17,636	10,720
	11,501	7,555	32,328	18,120
Earnings before taxes	6,674	520	24,964	1,947
TAXES				
Capital taxes	203	162	578	437
Future income taxes <i>(Note 4)</i>	2,710	206	7,209	841
	2,913	368	7,787	1,278
NET EARNINGS	3,761	152	17,177	669
Retained earnings, beginning of period	28,216	11,873	14,800	11,356
Retained earnings, end of period	31,977	12,025	31,977	12,025
NET EARNINGS PER SHARE <i>(Note 3)</i>				
Basic	0.12	0.01	0.55	0.03
Diluted	0.11	0.01	0.51	0.03

See accompanying notes to the consolidated financial statements

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

<i>(\$ Thousands)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Cash provided by (used in)				
Operations				
Net earnings	3,761	152	17,177	669
Depletion and depreciation	6,159	4,408	17,636	10,720
Amortization of commodity sales contract	(199)	(157)	(633)	(208)
Change in fair value of financial instrument	-	-	(373)	-
Future income taxes	2,710	206	7,209	841
Cash flow from operations	12,431	4,609	41,016	12,022
Changes in non-cash working capital <i>(Note 5)</i>	(767)	5,023	(753)	3,223
	11,664	9,632	40,263	15,245
Financing				
Increase in bank debt	1,018	(402)	10,237	8,982
Issue of shares	32	260	1,351	998
Share issue costs	-	(31)	-	(196)
	1,050	(173)	11,588	9,784
Investing				
Corporate acquisition	-	-	-	(599)
Capital asset additions	(24,768)	(11,469)	(65,436)	(21,304)
Site restoration and abandonment expenditures	(114)	(129)	(151)	(261)
Change in non-cash working capital <i>(Note 5)</i>	12,168	2,139	10,790	(2,865)
	(12,714)	(9,459)	(54,797)	(25,029)
Increase (decrease) in cash	-	-	(2,946)	-
Cash and short-term investments, beginning of period	-	-	2,946	-
Cash and short-term investments, end of period	-	-	-	-

See accompanying notes to the consolidated financial statements

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

1. ACCOUNTING POLICIES

The interim consolidated financial statements of Progress Energy Ltd. (the “Company”) have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended December 31, 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

<i>(\$ thousands)</i>	September 30, 2003	December 31, 2002
Direct advances	3,754	-
Banker’s acceptances	49,870	43,386
Total bank debt	53,624	43,386

The Company has a revolving term credit facility available up to \$80 million as well as a \$5 million operating facility with a group of Canadian banks. The facility is available on a revolving basis for a period of 364 days until May 29, 2004. On May 29, 2004, at the Company’s discretion, the facility will be available on a non-revolving basis for a one year term until May 29, 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 banks. The credit facility is secured by a \$150 million fixed and floating charge debenture on the assets of the Company. The \$85 million borrowing base is subject to a semi-annual and annual review by the banks.

3. SHARE CAPITAL

<i>(\$ thousands – except share amounts)</i>	Nine Months Ended September 30			
	2003		2002	
	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	415,645	1,351	707,500	998
Shares issued on the acquisition of Campion Resources Ltd.	-	-	3,634,770	19,919
Share issue expense		-		(111)
Balance at September 30	31,327,426	75,828	26,429,668	50,138

Warrants				
Balance at September 30	1,253,498	276	1,253,498	276
Total share capital		76,104		50,414

As at October 29, 2003 the issued and outstanding common shares of the Company were 31,346,093, options outstanding were 2,690,138 and warrants outstanding of 1,253,498.

Earnings per share

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

Weighted Average Common Shares	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Basic	31,324,526	26,336,407	31,118,590	24,185,507
Diluted	33,619,959	27,811,207	33,378,922	25,687,315

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 September 30, 2003.

<i>(\$ except share amounts)</i>	Number of options	Weighted average exercise price
Balance, December 31, 2002	2,818,750	4.21
Granted	309,500	8.43
Exercised	(415,645)	3.25
Balance, September 30, 2003	2,712,605	4.83

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 and nine months ended September 30, 2003 and 2002 would approximate the following pro forma amounts:

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Net Earnings:				
As reported	3,761	152	17,177	669
Pro forma	3,446	20	16,341	455
Net Earnings per Share:				
Basic				
As reported	0.12	0.01	0.55	0.03
Pro forma	0.11	0.00	0.53	0.02
Diluted				
As reported	0.11	0.01	0.51	0.03
Pro forma	0.10	0.00	0.49	0.02

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:

Assumptions	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Risk free interest rate (%)	-	4.00	4.07	4.78
Expected life (years)	-	4.00	4.00	4.00
Expected volatility (%)	-	32.58	33.51	28.24
Results				
Weighted average fair value of options granted (\$)	-	1.68	2.73	1.62

4. TAXES

The provision for future income taxes for the nine months ended September 30, 2003 includes a liability reduction of \$3.3 million related to substantively enacted changes to the federal income tax rate and deductions for resource income, as well as a liability reduction of \$0.2 million due to a 0.5 percent reduction to the Alberta income tax rate.

5. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

<i>(\$ thousands)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Accounts receivable	2,938	4,730	11	899
Prepaid expenses and deposits	630	(2,197)	358	(2,376)
Accounts payable and accrued liabilities	7,833	4,629	9,668	1,835
Change in non-cash working capital	11,401	7,162	10,037	358
Relating to:				
Investing activities	12,168	2,139	10,790	(2,865)
Operating activities	(767)	5,023	(753)	3,223

Cash interest and taxes paid

<i>(\$ thousands)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Cash interest paid	722	258	1,609	945
Cash income and other taxes paid	436	367	576	920

6. 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 operating activities from the volatility of crude oil and natural gas commodity prices. For the three and nine months ended September 30, 2003, the Company's crude oil and natural gas price risk management program had a net cost of nil and \$0.5 million respectively (2002 - \$0.7 million and \$1.6 million). Contracts outstanding in respect to financial instruments are as follows:

Contract	Volume	Pricing Point	Strike Price	Cost/ Premium	Term
Crude Oil					
Costless collar ⁽¹⁾	800 bbls/d	WTI	US\$23.00– US\$27.70	n/a	Oct 01/03 – Dec 31/03
Collar ⁽²⁾	800 bbls/d	WTI	US\$23.00– US\$30.00	US\$0.675/bbl	Apr 01/04 – Dec 31/04
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⁾	2,000 gj/d	AECO	CDN\$5.00– CDN\$8.00	n/a	Jul 01/03 – Oct 31/03
Costless collar ⁽¹⁾	5,000 gj/d	AECO	CDN\$5.75– CDN\$8.00	n/a	Jun 01/03 – Oct 31/03
Swap ⁽²⁾	10,000 gj/d	AECO	CDN\$5.75	n/a	Nov 01/03 – Nov 30/03
Swap ⁽²⁾	5,000 gj/d	AECO	CDN\$5.75	n/a	Nov 01/03 – Nov 30/03
Swap ⁽²⁾	5,000 gj/d	AECO	CDN\$5.70	n/a	Nov 01/03 – Nov 30/03
Collar ⁽²⁾	5,000 gj/d	AECO	CDN\$5.00– CDN\$10.00	CDN\$0.15/gj	Dec 01/03 – Mar 31/04
Collar ⁽²⁾	5,000 gj/d	AECO	CDN\$5.00– CDN\$10.00	CDN\$0.15/gj	Dec 01/03 – Mar 31/04

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

(2) Transactions entered into after September 30, 2003 are not reflected in estimated fair market values below

At September 30, 2003 the estimated fair values of the above financial instruments were as follows:

	Receivable (Payable)
(\$ thousands)	
Crude oil instruments	(157)
Natural gas instruments	29

The above estimated fair values as at September 30, 2003 represent the amounts the Company would receive or pay to terminate the contracts at September 30, 2003. These instruments have no carrying values recorded in the financial statements.

Commodity Sales Contract

The following physical gas sales contract was outstanding at September 30, 2003. 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, 2003 the remaining liability was \$3.1 million.

Volume	Pricing Point	Progress Price	Term
1,000 gj/d	AECO	\$1.96/gj in 2003 escalating at 2.5% annually	Jun 1/97 – Oct 31/08

7. SUBSEQUENT EVENT

On October 16, 2003 the Company entered into a bought deal financing whereby the Company will issue 2,000,000 common shares at a price of \$10.50 per share. The proceeds, net of underwriting fees and expenses will amount to approximately \$19.9 million. The financing is expected to close on November 5, 2003.

SELECTED QUARTERLY INFORMATION

FINANCIAL HIGHLIGHTS

(\$ thousands except per share amounts)	Three Months Ended						
	2002				2003		
	March 31	June 30	Sept 30	Dec 31	March 31	June 30	Sept 30
Income Statement							
Petroleum and natural gas sales	6,099	7,905	10,171	21,645	27,915	22,818	23,093
Cash flow from operations	3,349	4,064	4,609	11,999	16,080	12,505	12,431
Per share - basic	0.15	0.17	0.17	0.39	0.52	0.40	0.40
Per share - diluted	0.14	0.16	0.17	0.37	0.49	0.37	0.37
Net earnings	160	357	152	2,775	6,522	6,894	3,761
Per share - basic	0.01	0.02	0.01	0.09	0.21	0.22	0.12
Per share - diluted	0.01	0.01	0.01	0.08	0.20	0.21	0.11
Balance Sheet							
Capital Spending							
Land acquisitions and retention	424	1,218	1,201	2,628	2,994	3,884	962
Geological and geophysical	475	287	596	1,050	3,178	864	1,046
Drilling and completions	2,371	2,018	5,676	5,467	12,753	6,586	14,420
Equipping and facilities	1,506	935	1,803	2,072	5,346	2,869	8,007
Net property acquisitions (dispositions)	74	64	2,131	27,577	1,090	926	266
Acquisition of Campion Resources Ltd.	-	40,791	-	-	-	-	-
Corporate assets	137	325	62	112	115	63	67
	4,987	45,638	11,469	38,906	25,476	15,192	24,768
Total debt							
Bank debt	15,733	40,640	40,238	43,386	41,659	52,606	53,624
Working capital deficiency (surplus)	2,789	(3,660)	3,502	3,933	14,659	5,142	16,543
	18,522	36,980	43,740	47,319	56,318	57,748	70,167
Shareholders' equity	41,660	62,044	62,439	89,553	96,134	104,288	108,081
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	31,320	31,327
Weighted average shares outstanding for the period							
- Basic	22,505	23,728	26,336	30,909	30,922	31,104	31,325
- Diluted	23,974	25,290	27,811	32,717	33,142	33,401	33,620
Volume traded during quarter	6,092	2,680	2,856	2,878	7,089	9,593	5,713
Common share price (\$)							
- High	6.15	6.50	6.10	8.30	9.20	11.50	10.85
- Low	3.86	5.00	4.65	5.10	7.40	7.05	8.90
- Closing	5.90	5.25	5.95	8.00	8.10	9.90	9.85

SELECTED QUARTERLY INFORMATION

OPERATIONAL HIGHLIGHTS

	Three Months Ended						
	2002				2003		
	March 31	June 30	Sept 30	Dec 31	March 31	June 30	Sept 30
Production							
Natural gas (mcf/d)	8,083	11,300	17,488	28,205	26,830	26,873	28,736
Crude oil (bbl/d)	1,670	1,591	1,623	2,055	2,094	2,260	2,358
Natural gas liquids (bbl/d)	40	79	221	340	311	284	289
Total (boe/d) (6:1)	3,057	3,553	4,759	7,096	6,877	7,022	7,436
Total (boe/d) (10:1)	2,518	2,800	3,592	5,216	5,088	5,231	5,521
Pricing							
Natural gas (before hedging) (\$/mcf)	3.09	3.33	2.88	5.33	7.71	6.15	5.47
Hedging (\$/mcf)	0.06	-	0.12	(0.01)	(0.01)	(0.04)	(0.04)
Amortization of commodity sales contract (\$/mcf)	-	0.05	0.10	0.09	0.10	0.08	0.08
Natural gas (after hedging) (\$/mcf)	3.15	3.38	3.10	5.41	7.80	6.19	5.51
Crude oil (before hedging) (\$/bbl)	25.96	34.11	37.55	36.54	45.85	34.60	35.94
Hedging (\$/bbl)	(1.23)	(5.10)	(7.13)	(0.01)	(5.45)	(0.70)	(0.55)
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	33.90	35.39
Natural gas liquids (\$/bbl)	24.71	31.30	31.14	33.78	38.99	27.85	32.10
Selected Highlights (\$/boe)							
Weighted average sales price	22.17	24.45	23.24	33.16	45.10	35.71	33.75
Royalties, net of ARTC	3.66	3.11	4.79	7.53	10.35	8.15	7.19
Production expenses	4.34	4.85	4.80	5.18	5.42	5.46	5.92
Netbacks	14.17	16.49	13.65	20.67	29.33	22.10	20.64
General and administrative	1.10	2.12	1.39	1.79	1.39	1.06	1.03
Depletion and depreciation	10.62	10.49	10.07	9.36	9.00	9.24	9.00
Net earnings	0.58	1.10	0.35	4.25	10.54	10.79	5.50
Gross Drilling Results							
Natural gas	2	2	6	6	11	6	19
Crude oil	-	-	1	-	6	-	4
Service	-	-	-	-	1	-	-
Dry	-	1	2	1	6	1	5
	2	3	9	7	24	7	28
Success rate (%)	100	67	78	86	75	86	82
Net Drilling Results							
Natural gas	0.4	2.0	4.8	5.2	8.9	6.0	16.6
Crude oil	-	-	0.4	-	5.1	-	4.0
Service	-	-	-	-	0.7	-	-
Dry	-	1.0	1.4	0.5	4.8	1.0	3.1
	0.4	3.0	6.6	5.7	19.5	7.0	23.7
Success Rate (%)	100	67	79	91	75	86	87

CORPORATE INFORMATION

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Vice Chairman
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Terrance D. Svarich ^{(2) (3)}
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⁽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

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Chief Executive Officer

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Vice President Finance and
Chief Financial Officer and
Corporate Secretary

Michael R. Culbert
Vice President Marketing and
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